SYMPHONY

SYMPHONY HOLDINGS LTD.

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 2010 DIVIDEND DECLARATION AND CLOSURE OF BOOKS

GROUP FINANCIAL HIGHLIGHTS

- Group revenue increased by 9.1% to HKD1,947.5 million.
- Profit attributable to owners of the Company surged 389.1% to HKD87.9 million.
- Earnings per share was approximately HKD0.05.
- Final dividend of HKD0.015 per ordinary share was recommended to be payable on or about Monday, 4 July 2011.

CHAIRMAN'S STATEMENT AND OUTLOOK

I am pleased to present the annual results of the Company for the year ended 31 December 2010.

Results

Benefited from the gradual upturn in global economy, in particular Hong Kong and PRC, Symphony Holdings Limited ("**Symphony**" or "**Company**", together with its subsidiaries, "**Group**") recorded more than double our profit for the year compared with 2009, which takes into account a considerable revaluation gain on investment properties and return on favourable investment market. Profit attributable to owners of the Company reached HKD87.9 million, representing an increase of 389.1% over the past year. Revenue increased by 9.1% to HKD1,947.5 million and gross profit maintained a steady growth of 4.3% to HKD362.0 million. The results testified our insightful overall business and investment strategies in the previous years, as well as our striving to strengthen business efficiency to enhance shareholder value.

Branding and Retailing

In 2010, the branding business of the Group was picking up its momentum. The improvement in financial performance, the dedicated management as well as strategic alliance gave the Board the confidence to the enormous opportunities of branding and retailing segments.

With the implementation of efficacious restructuring and cost control measures, the business and operations of Pony and Haggar improved steadily. During the year, Pony focused on its licensing business. Currently, Pony reaches 30 countries spreading over Asia, Europe, North and South Americas. The licensee network continues to expand. Pony's Archive footwear collection received high recognition and strong reputation in the market. The business of Pony in China continued to perk up by doubling its turnover compared with last year. The number of points of sale increased to 180, which are situated in strategic locations of first and second tier cities in China, in addition to 2 online shops. During the year, Haggar recorded an increase in revenue by 8.2% and a net income of USD12.2 million for the first time since our investment in 2005.

In 2010, the business of Speedo in China noted a significant increase in annual turnover by 45.1% while gross profit improved by 28.3%. This improvement is due to the increase in number of points of sale and enhanced marketing efficiency. From the time when Berghaus entered into the PRC market in 2009 summer, the brand gained its recognition which gave rise to a surge in its yearly turnover. Helly Hansen, having its first flagship store opened in Beijing in 2010, was expanded to 6 direct managed stores during the year, achieving a handsome gross margin of 71.0%. The Group continued the expansion of its Mango stores. During the year, 5 additional Mango stores were opened in strategic locations in the PRC. The turnover of Mango climbed 51.3% through the operation of a total of 7 Mango stores.

Annual turnover of JFT in 2010 surged 445.9% as compared to 2009, as correctly perceived by the Group, the operation was increasingly recognised as a hub for trendy retail fashion in Hong Kong. Selected popular brands of Shibuya 109 and voguish Japan accessories landed key cities in the PRC during 2010, including Shanghai, Tianjin, Chengdu and Shenyang. There are plans to further expand the number of points of sale nationwide in China. The Group expects that with the rise of disposable income and the growing aspiration of the PRC market for stylish consumer goods, designer products will be favourably perceived. In the third quarter of 2010, JFT's affiliate successfully opened its first EDWIN flagship store in Shanghai. EDWIN is preparing to launch a territory-wide campaign to maximise the brand's presence in the PRC market.

Outlet Mall and Properties Investments

In early 2011, Mitsubishi Estates Co., Ltd. ("**Mitsubishi**"), one of the pioneers of outlet mall players in Japan, gave their recognition to our outlet mall strategy and formed a joint venture with us for the development, management and operation of the Park Outlet. Park Outlet is the Group's flagship upscale outlet mall of international standard which would create unique and world-class shopping experience for customers aspiring for premium lifestyle. Offering an attributable gross floor area of approximately 60,000 square metres, the mall is targeted for completion by 2012. We believe that the joint venture will benefit Park Outlet through the unique experience, extensive system and network exchanges contributed by both the Group and Mitsubishi. The joint venture is strategically significant for the Group as it provides a platform for the Group's long-term and sustainable growth in the industry. Foundation work and preliminary leasing works of Park Outlet are underway.

The Group further acquired 2 parcels of land in Shenyang through public auction in January 2011 for commercial and residential complex developments. Given that the Group perceives a continued and enormous development potential in the real estate market, Symphony continues to explore opportunities and forge suitable and competent partners to develop and invest in properties in Hong Kong and PRC.

Manufacturing

During the year, footwear manufacturing division continues to be the major contributor to the Group's operating earnings. The revenue increased by 9.9% to HKD1,869.4 million subsequent to the picking up of momentum at the production lines in Vietnam. Being affected by the pressure on escalation of salaries in the PRC and Vietnam, surge of raw materials cost as well as the appreciation of Renminbi and New Taiwan Dollars, gross margin slightly dropped by 120 basis points to 17.3%. Taking advantage of the favourable operational environment in Vietnam, the Group expects that meaningful earnings will be generated from 2011 onwards.

Outlook

Along with steady global economy recovery, Hong Kong and Mainland China markets continue to be strong. Despite there is significant growth in revenue generated in these favourable markets, the Group faces a number of challenges. Keen competition on domestic demand in China, along with global instability and exchange rate fluctuation are the factors boosting operating cost and pressuring exports. Symphony remains cautiously optimistic. Nevertheless, the Group continues to leverage its resources to improve its market presence, profitability and sustainability. Through consistent business growth and strategic alliance, we are confident that our shareholders and investors shall be rewarded by the Group's momentous returns on its tactical investments.

Appreciation

I would like take this opportunity to thank my fellow directors, our staff and stakeholders for their continuing contributions and support in shaping the future of Symphony.

OPERATION REVIEW

During the year, the Group's manufacturing division completed the first phase of restructuring. Productivity of the production facilities picked up again and accordingly, revenue of the Group was HKD1,947,473,000, representing a 9.1% corresponding growth.

The Group recorded an extraordinary gain of HKD20,491,000, being the gain on disposal of an available-for-sale investment of the Company principally engaged in the design and sale of top ladies fashion footwear in China.

As at 31 December 2010, the investment properties of the Company were revalued and noted a substantial appreciation. Accordingly, gain in fair value of investment properties increased by 175.7% and deferred tax liabilities increased by 110.8%.

The performance of the Group's jointly controlled entities improved and showed a gradual pick-up. Accompanied by additional capital invested in 2 jointly controlled entities during the year, interests in jointly controlled entities increased by 60.7% to HKD91,217,000.

In light of the current favourable financial market, the Group has disposed of most of its security and bond investments during the year. Available-for-sale investments and held-for-trading investments during the year greatly reduced.

The Group has spent significantly on raw materials to cope with the production of high-end footwear products and faced seasonal increase in manufacturing demand. Accordingly, accounts receivable and inventory, which included work in progress raw materials, increased by 52.6% and 64.4% respectively as at 31 December 2010. The average collection period was reduced to 40 days.

During the year, the Group was offered a secured term loan of HKD80,000,000, which was financed for property investment projects and working capital of the Company.

Manufacturing and Retailing Business Market Information

During the year, sales to the United States of America and Canada comprised 53.8% (2009: 54.4%) and orders to other European countries comprised 24.6% (2009: 28.1%) of the total sales and the remaining 21.6% (2009: 17.5%) was shared between Asia, Africa, Australia, Latin America and the Middle East.

Production Facilities

As at 31 December 2010, the Group had an aggregate number of 33 production lines, of which 7 are in Panyu, 7 are in Zhongshan, 6 are in Fuzhou, and a further 13 are in Vietnam.

Stores Network

The Group had directly managed and franchised stores in mainland China for the retail and distribution of 5 globally renowned brands. Below is a breakdown by brand and store type:

	Directly managed stores	Franchised stores
Speedo	39	108
Pony	110	70
Berghaus	14	3
Helly Hansen	6	-
Mango	7	-

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 maximise their comfort, endurance and functionality, and where necessary, introduces new technology to enhance their market appeal. Our value-added contributions enable us to maintain our long-term partnership with our customers.

Liquidity and Capital Resources

As at 31 December 2010, the Group had bank balances and cash of HKD365,519,000 (2009: HKD399,184,000). The Group was offered banking facilities amounting to HKD257,500,000 (2009: HKD236,250,000). During the year, the Group obtained new bank borrowing in the amount of HKD80,000,000 (2009: Nil). The borrowing is interest bearing at Hong Kong Interbank Offered Rate plus 1.1%. The gearing ratio stood at 18.3% (2009: 0.0%), based on total borrowing over shareholders' fund. The banking facilities were secured by corporate guarantees from the Company and its certain subsidiaries.

Human Resources

As at 31 December 2010, the total number of employees of the Group was approximately 17,000. Employee cost (excluding directors' emoluments) amounted to approximately HKD399,647,000 (2009: HKD358,950,000).

In addition to competitive remuneration packages, discretionary bonuses and employee share options are awarded to eligible staff of the Group based on their performance and individual merits.

Share Option

During the year ended 31 December 2010, the Group has no share option being granted, outstanding, lapsed or cancelled pursuant to the share option scheme adopted on 22 October 2001.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December,

	Notes	2010 HKD'000	2009 HKD'000 (Restated)
Revenue	3	1,947,473	1,784,907
Cost of sales		(1,585,502)	(1,437,838)
Gross profit		361,971	347,069
Other income		23,320	34,425
Distribution and selling expenses		(171,081)	(149,114)
Administrative expenses		(220,967)	(196,392)
Finance costs		(497)	-
Other expenses		(4,765)	(7,430)
Net increase in fair value of investment properties		159,224	57,750
Gain on disposal of available-for-sale investments		20,491	2
Gain on fair value changes of held-for-trading investments		64	716
Share of results of jointly controlled entities		(41,394)	(58,498)
Profit before tax		126,366	28,528
Taxation	4	(38,770)	(10,785)
Profit for the year	5	87,596	17,743
Other comprehensive income			
Surplus arising on re-classification from prepaid lease payments to investment properties		-	203
Deferred tax on surplus arising on re-classification from prepaid lease payments to investment properties		-	(50)
Surplus arising on revaluation of properties		25,754	45,024
Deferred tax liability arising on revaluation of properties		(4,238)	(8,283)
Fair value gain on available-for-sale investments		1,755	6,412
Re-classification adjustment to profit or loss upon disposal of available-for-sale investments		(2,103)	(2)
Exchange difference arising on translation of foreign operations		15,581	(2,968)
Share of other comprehensive income of jointly controlled entities		3,021	5,320
Other comprehensive income for the year (net of tax)		39,770	45,656
Total comprehensive income for the year		127,366	63,399
Profit for the year attributable to:			
Owners of the Company		87,861	17,963
Non-controlling interests		(265)	(220)
		87,596	17,743
Total comprehensive income attributable to:			
Owners of the Company		126,835	63,610
Non-controlling interests		531	(211)
		127,366	63,399
Earnings per share	7		
Basic (HK cents)		5.04	1.03
Diluted (HK cents)		N/A	1.03

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	At 31 December 2010 HKD'000	At 31 December 2009 HKD'000 (Restated)	At 1 January 2009 HKD'000 (Restated)
Non-current assets			
Property, plant and equipment	331,097	318,067	350,236
Investment properties	512,962	331,040	112,450
Prepaid lease payments	19,054	18,860	21,268
Interests in jointly controlled entities	91,217	56,778	78,272
Advance to jointly controlled entities	171,388	171,110	127,749
Available-for-sale investments	6,246	60,011	54,366
Deferred tax assets	12,266	13,127	10,085
Tax recoverable	23,214	17,214	9,714
Club debentures	2,003	2,003	2,003
	1,169,447	988,210	766,143
Current assets			
Inventories	281,499	171,254	269,148
Amounts due from jointly controlled entities	23,693	25,664	50,692
Trade and other receivables	345,947	217,808	459,061
Prepaid lease payments	518	499	516
Held-for-trading investments	-	321	4,055
Bank balances and cash	365,519	399,184	280,963
	1,017,176	814,730	1,064,435
Current liabilities			
Trade and other payables	451,064	311,305	395,027
Amounts due to jointly controlled entities	12,577	17,650	28,006
Secured bank loans	80,000	-	-
Tax payable	55,483	54,969	55,641
	599,124	383,924	478,674
Net current assets	418,052	430,806	585,761
Net assets less current liabilities	1,587,499	1,419,016	1,351,904
Non-current liabilities			
Deferred tax liabilities	77,517	36,781	15,628
	1,509,982	1,382,235	1,336,276
Capital and reserves			
Share capital	436,011	436,011	436,011
Share premium and reserves	972,219	913,604	867,434
Equity attributable to owners of the Company	1,408,230	1,349,615	1,303,445
Non-controlling interests	101,752	32,620	32,831
	1,509,982	1,382,235	1,336,276

Notes:

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

In the current year, the Group has applied the following new and revised standards, amendments and interpretations ("**new and revised HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"):

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (as revised in 2008)	Business Combinations
HKAS 27 (as revised in 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Eligible Hedged Items
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008
HK(IFRIC) - Int 17	Distributions of Non-cash Assets to Owners
HK - Int 5	Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the amounts reported in these consolidated financial statements and/or disclosures set out in these consolidated financial statements.

Hong Kong Interpretation 5 Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK - Int 5")

HK - Int 5 clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("**repayment on demand clause**") should be classified by the borrower as current liabilities. The Group has applied HK - Int 5 for the first time in the current year. HK - Int 5 requires retrospective application.

In order to comply with the requirements set out in HK - Int 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK - Int 5, term loans with a repayment on demand clause are classified as current liabilities.

As at 31 December 2010, bank loans (that are repayable more than one year after the end of the reporting period but contain a repayment on demand clause) with the aggregate carrying amount of HKD60,000,000 have been classified as current liabilities. The application of HK - Int 5 has had no impact on the reported profit or loss for the current and prior years.

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities.

HKAS 27 (as revised in 2008) Consolidated and Separate Financial Statements

The application of HKAS 27 (as revised in 2008) has resulted in changes in the Group's accounting policies for changes in ownership interests in subsidiaries of the Group.

Specifically, the revised standard has affected the Group's accounting policies regarding changes in the Group's ownership interests in its subsidiaries that do not result in loss of control. In prior years, in the absence of specific requirements in HKFRSs, increases in interests in existing subsidiaries were measured at the aggregate of carrying amounts of identified assets and liabilities of the subsidiaries and any excess of consideration over the net assets acquired are accounted for as goodwill. Any excess of the net assets acquired over the consideration is recognised immediately in profit or loss. Under HKAS 27 (as revised in 2008), all such increases or decreases are dealt with in equity, with no impact on goodwill or profit or loss.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the revised standard requires the Group to derecognise all assets, liabilities and non-controlling interests at their carrying amounts and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

These changes have been applied prospectively from 1 January 2010 in accordance with the relevant transitional provisions.

The application of the revised standard has affected the accounting for the Group's disposal of part of its interest in Rivergold International Limited in the current year. The change in policy has resulted in the difference of HKD47,756,000 between the consideration received of HKD47,000,000 and the non-controlling interests recognised of HKD94,756,000 being recognised directly in equity, instead of in profit or loss.

In addition, the Group acquired additional interest in Nice Well Holdings Limited in the current year. The change in policy has resulted in the difference of HKD2,209,000 between the consideration paid of HKD23,946,000 and the non-controlling interests derecognised of HKD26,155,000 being recognised directly in equity, instead of in profit or loss.

Therefore, the change in accounting policy for partial disposal and step acquisition has resulted in an increase in the profit for the year of HKD47,756,000 and a decrease in the profit for the year of HKD2,209,000 respectively. The cash consideration received and paid in the current year of HKD47,000,000 and HKD23,946,000 for the partial disposal and step acquisition respectively has been included in cash flows used in financing activities.

Amendments to HKAS 17 Leases

As part of Improvements to HKFRSs issued in 2009, HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification of unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant and equipment carrying at fair value retrospectively. This resulted in prepaid lease payments with the carrying amounts of HKD29,720,000, HKD20,295,000 and HKD19,745,000 as at 1 January 2009, 31 December 2009 and 31 December 2010 respectively being reclassified to property, plant and equipment.

The application of the amendments to HKAS 17 has resulted in a decrease in the profit of HKD1,464,000 and HKD1,045,000 for the years ended 2010 and 2009 respectively and an increase in the other comprehensive income of HKD21,552,000 and HKD15,735,000 for the years ended 2010 and 2009 respectively.

Summary of the effects of the above changes in accounting policies

The effects of changes in accounting policies described above on the results for the current and prior years by line items are as follows:

	2010	2009
	HKD'000	HKD'000
Decrease in loss on partial disposal of a subsidiary	**47,756**	-
Decrease in gain on partial acquisition of a subsidiary	**(2,209)**	-
Increase in depreciation of property, plant and equipment	**(2,014)**	(1,692)
Decrease in amortisation of prepaid lease payment included in administrative expenses	**550**	647
Increase (Decrease) in profit for the year	**44,083**	(1,045)
Increase in surplus arising on revaluation of properties	**25,811**	18,510
Increase in deferred tax liability arising on revaluation of properties	**(4,259)**	(2,775)
Increase in other comprehensive income	**21,552**	15,735

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2009 and 31 December 2009 is as follows:

	As at 1.1.2009 (originally stated)	Adjust-ments	As at 1.1.2009 (restated)	As at 31.12.2009 (originally stated)	Adjust-ments	As at 31.12.2009 (restated)
	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000	HKD'000
Property, plant and equipment	282,741	67,495	350,236	242,532	75,535	318,067
Prepaid lease payments	51,504	(29,720)	21,784	39,654	(20,295)	19,359
Deferred tax liabilities	(9,925)	(5,703)	(15,628)	(28,303)	(8,478)	(36,781)
Total effects on net assets	324,320	32,072	356,392	253,883	46,762	300,645
Properties revaluation reserve	14,666	35,732	50,398	35,825	51,467	87,292
Accumulated profits	387,854	(3,660)	384,194	403,559	(4,705)	398,854
Total effects on equity	402,520	32,072	434,592	439,384	46,762	486,146

The effects of the above changes in accounting policies on the Group's basic and diluted earnings per share for the current and prior year are as follows:

Impact on basic and diluted earnings per share

	2010	2009
	HK Cents	HK Cents
Figures before adjustments	2.51	1.09
Adjustments arising from changes in the Group's accounting policies in relation to:		
- changes in ownership interests in subsidiaries	2.61	-
- reclassification of leasehold land	(0.08)	(0.06)
Figures after adjustments	5.04	1.03

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

HKFRSs (Amendments)	Improvements to HKFRSs issued in 2010[1]
HKFRS 7 (Amendments)	Disclosures - Transfers of Financial Assets[3]
HKFRS 9	Financial Instruments[4]
HKAS 12 (Amendments)	Deferred Tax: Recovery of Underlying Assets[5]
HKAS 24 (as revised in 2009)	Related Party Disclosures[6]
HKAS 32 (Amendments)	Classification of Rights Issues[7]
HK(IFRIC) - Int 14 (Amendments)	Prepayments of a Minimum Funding Requirement[6]
HK(IFRIC) - Int 19	Extinguishing Financial Liabilities with Equity Instruments[2]

[1] Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011, as appropriate
[2] Effective for annual periods beginning on or after 1 July 2010
[3] Effective for annual periods beginning on or after 1 July 2011
[4] Effective for annual periods beginning on or after 1 January 2013
[5] Effective for annual periods beginning on or after 1 January 2012
[6] Effective for annual periods beginning on or after 1 January 2011
[7] Effective for annual periods beginning on or after 1 February 2010

HKFRS 9 Financial Instruments (as issued in November 2009) introduces new requirements for the classification and measurement of financial assets. HKFRS 9 Financial Instruments (as revised in November 2010) adds requirements for financial liabilities and for derecognition.

- Under HKFRS 9, all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement are subsequently measured at either amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

- In relation to financial liabilities, the significant change relates to financial liabilities that are designated as at fair value through profit or loss. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the presentation of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Currently, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with earlier application permitted.

The directors of the Company ("**Directors**") anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for financial year ending 31 December 2013 and that the application of HKFRS 9 will not have a significant impact on amounts reported in respect of the Group's financial assets and financial liabilities.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. Directors anticipate that the application of the amendments to HKAS 12 may have significant impact on deferred tax recognised for investment properties that are measured using the fair value model. The Group's investment properties that are measured using the fair value model have been presumed to be recovered through sale for the purpose of measuring deferred taxation in respect of such properties. This will result in prior years' deferred tax liabilities being decreased, with the corresponding adjustment will be recognised in retained earnings.

Directors anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements.

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. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

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

3. SEGMENT INFORMATION

Information reported to the chief operating decision maker, being the managing director of the Group, for the purpose of resources allocation and performance assessment focuses specifically on the assessment of operation performance in each operation unit, which is the basis upon which the Group is organised. Each operating unit is distinguished based on types of goods or services delivered or provided, i.e. footwear manufacturing, retailing and sourcing and property investment. Financial information on segment results and segment assets are regularly provided to the chief operating decision maker while no information of segment liabilities is provided. The Group's reportable segments under HKFRS 8 Operating Segments are as follows:

1. Footwear manufacturing;
2. Retailing and sourcing – retailing and provision of sourcing services for branded apparel, swimwear and accessories; and
3. Property Investment.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable segment:

For the year ended 31 December 2010

	Footwear manufacturing HKD'000	Retailing and sourcing HKD'000	Property investment HKD'000	Consolidated HKD'000
REVENUE				
External sales	1,869,365	71,284	6,824	1,947,473
Segment profit (loss)	67,499	(42,247)	164,453	189,705
Corporate income:				
Interest income				7,865
Gain on disposal of available-for-sale investments				20,491
Others				278
Central administrative costs				(50,579)
Share of results of jointly controlled entities				(41,394)
Profit before tax				126,366

For the year ended 31 December 2009
(Restated)

	Footwear manufacturing HKD'000	Retailing and sourcing HKD'000	Property investment HKD'000	Consolidated HKD'000
REVENUE				
External sales	1,701,530	77,178	6,199	1,784,907
Segment profit (loss)	113,461	(38,953)	63,515	138,023
Corporate income:				
Interest income				10,126
Others				496
Central administrative costs				(61,619)
Share of results of jointly controlled entities				(58,498)
Profit before tax				28,528

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit (loss) represents the profit (loss) earned or incurred by each segment without allocation of interest income, gain on disposal of available-for-sale investments, other income, central administrative costs and share of results of jointly controlled entities. This is the measure reported to the chief operating decision maker for the purpose of resources allocation and performance assessment.

Segment assets

The following is an analysis of the Group's assets by reportable segment:

Segment assets

	2010 HKD'000	2009 HKD'000 (Restated)
Footwear manufacturing	802,015	588,719
Retailing and sourcing	55,748	44,952
Property investment	633,314	423,857
Total segment assets	1,491,077	1,057,528
Unallocated	695,546	745,412
Consolidated assets	2,186,623	1,802,940

For the purposes of monitoring segment performances and allocating resources between segments:

- all assets are allocated to reportable segments other than advance to jointly controlled entities, interests in jointly controlled entities, available-for-sale investments, deferred tax assets, tax recoverable, club debentures, amounts due from jointly controlled entities, held-for-trading investments and bank balances and cash.

Revenue from major products and services

The following is an analysis of the Group's revenue from its major products and services:

	2010 HKD'000	2009 HKD'000
Footwear manufacturing	1,869,365	1,701,530
Retailing and sourcing	71,284	77,178
Property investment	6,824	6,199
	1,947,473	1,784,907

Geographical information

The Group's revenue from external customers by geographical locations of the delivery destinations and information about its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		Non-current assets *(Note 2)* located	
	2010	2009	**2010**	2009
	HKD'000	HKD'000	**HKD'000**	HKD'000 (Restated)
The People's Republic of China ("**PRC**")	**89,389**	66,231	**482,434**	354,235
Taiwan	**-**	10,947	**10,240**	9,642
Hong Kong	**6,824**	6,199	**355,173**	289,784
United States of America	**959,576**	899,489	**-**	-
Canada	**87,823**	72,019	**-**	-
Other European Countries *(Note 1)*	**479,176**	501,924	**-**	-
Vietnam	**-**	-	**15,266**	14,306
Other Asian Countries *(Note 1)*	**172,618**	174,673	**-**	-
Others *(Note 1)*	**152,067**	53,425	**-**	-
	1,947,473	1,784,907	**863,113**	667,967

Notes:

1. The geographical information for the revenue attributed to each foreign country is not available and the cost to develop it would be excessive.

2. Non-current assets excluded financial instruments, advance to jointly controlled entities, interests in jointly controlled entities, available-for-sale investments, deferred tax assets, tax recoverable and club debentures of which the Group considered it is impracticable to decide the location of assets.

Information about major customers

Revenue from customers of the corresponding years contributing over 10% of the total sales, all of which are included in footwear manufacturing segment of the Group, are as follows:

	2010	2009
	HKD'000	HKD'000
Customer A	**706,254**	494,774
Customer B	**588,154**	626,196
Customer C	**399,668**	217,464

4. TAXATION

	2010 HKD'000	2009 HKD'000
Current tax:		
Hong Kong		
current year	-	66
overprovision in prior years	-	(108)
Other jurisdictions		
current year	1,499	884
(over)underprovision in prior years	(88)	165
	1,411	1,007
Deferred tax:		
Current year	37,359	9,778
Taxation attributable to the Company and its subsidiaries	38,770	10,785

Hong Kong Tax

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both years.

From March 2008 to January 2010, the Inland Revenue Department ("**IRD**") issued protective profits tax assessments for additional tax which amounted to approximately HKD78,600,000 in aggregate, relating to the years of assessment of 2001/2002 to 2003/2004, that is, for the financial years ended 31 December 2001 to 2003, against certain wholly-owned subsidiaries of the Company. The Group had lodged objections with the IRD against the protective assessments. The IRD agreed to hold over the additional tax claimed subject to the relevant subsidiaries' purchase of tax reserve certificates ("**TRCs**") of HKD23,214,000 in aggregate for those 3 years of assessment. These TRCs were purchased and included in tax recoverable as at the respective year end dates.

In January 2011, the IRD issued another protective profits tax assessment, for an aggregate additional tax of HKD79,094,000, relating to the year of assessment of 2004/2005, that is, for the financial year ended 31 December 2004, against the above mentioned wholly-owned subsidiaries of Company. The Group had lodged objection with the IRD against the protective assessment. The IRD agreed to hold over the tax claimed subject to the purchase of TRCs of HKD10,200,000.

Directors believe that no provision for Hong Kong Profits Tax in respect of the above mentioned protective assessments is necessary. In addition, the inquiries from the IRD are still at a fact-finding stage and the 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.

PRC Tax

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**") 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 enjoyed the preferential tax rate of 12.5% (being 50.0% of the applicable tax rate of 25.0%) for the years from 2008 to 2010. Thereafter, the tax rate will increase to 25.0% from the year 2011 onwards;

- Fuqing Grand Galatica enjoyed the preferential tax treatment of 22.0% and 10.0% (being 50.0% of the applicable tax rate of 20.0%) for the years 2010 and 2009 respectively. Thereafter, the tax rate will step up to 24.0% and 25.0% for the years 2011 and 2012 respectively.

For the other PRC subsidiaries, the applicable tax rate was 25.0% during the year.

Vietnam Tax

Stateway Vietnam Footwear Co. Ltd ("**Stateway Vietnam**") was entitled to an exemption from enterprise income tax for 4 years starting with the first profit-making year. For the following 9 years, Stateway Vietnam would be entitled to a further preferential tax treatment in the form of a 50.0% reduction in the applicable tax rate in Vietnam. Stateway Vietnam has not yet commenced its tax exemption period due to its loss position in 2009 and the tax exemption period has been commenced in 2010 onwards.

Continuance Vietnam Footwear Co. Ltd ("**Continuance Vietnam**") was entitled to an exemption from enterprise income tax for 2 years starting with the first profit-making year. For the following 3 years, Continuance Vietnam would be entitled to a further preferential tax treatment in the form of a 50.0% reduction in the applicable tax rate in Vietnam. Continuance Vietnam has not yet commenced its tax exemption period due to its loss position in 2009 and 2010, the tax exemption period was deemed to commence from 2011 onwards.

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 profit before tax in the consolidated statement of comprehensive income as follows:

	2010 HKD'000	2009 HKD'000 (Restated)
Profit before tax	126,366	28,528
Tax at Hong Kong Profits Tax rate of 16.5%	20,851	4,708
Tax effect of expenses not deductible for tax purpose	184	696
Tax effect of income not taxable for tax purpose	(6,627)	(2,198)
Tax effect of share of results of jointly controlled entities	6,830	9,652
(Over)Underprovision in respect of prior years	(88)	57
Tax effect of tax losses not recognised	12,948	7,685
Effect of tax exemptions granted to certain subsidiaries	(6,543)	(10,873)
Income tax on concessionary rate	(508)	(903)
Effect of different tax rates of subsidiaries operating in other jurisdictions	11,162	50
Deferred taxation on withholding tax arising on undistributed profits in PRC subsidiaries	561	1,911
Taxation for the year	38,770	10,785

In addition to the amount charged to profit or loss, deferred tax relating to the surplus on reclassification from prepaid lease payments, and property, plant and equipment to investment properties and revaluation of the Group's properties was charged or credited directly to other comprehensive income.

5. PROFIT FOR THE YEAR

	2010 HKD'000	2009 HKD'000 (Restated)
Profit for the year has been arrived at after charging:		
Directors' emoluments	7,739	20,498
Other staff costs	399,647	358,950
Retirement benefits schemes contributions, excluding directors	14,872	16,907
	422,258	396,355
Auditor's remuneration	2,728	2,530
Allowance for inventories, net (included in cost of sales)	6,558	8,498
Amortisation of prepaid lease payments	518	526
Cost of inventories recognised as expense	1,585,502	1,437,838
Depreciation of property, plant and equipment	41,377	43,038
Exchange losses	14,602	2,810
Research and development costs (included in administrative expenses)	19,261	23,649
Loss on disposal of property, plant and equipment	1,387	3,592
and after crediting:		
Gain on disposal of investment property	-	30
Net reversal of allowance for bad and doubtful debts	810	440
Exchange gains	-	2,743
Gross rental income for investment properties	6,824	6,199
Less: direct operating expenses from investment properties that generated rental income during the year	(292)	(287)
	6,532	5,912
Interest income from:		
Bank deposits	734	1,569
Available-for-sale investments	672	3,327
Loans to a jointly controlled entity	6,459	5,230

6. DIVIDENDS

	2010 HKD'000	2009 HKD'000
2009 final dividend of HKD0.013 (2009: 2008 final dividend of HKD0.010) per ordinary share paid	22,673	17,440

No interim dividend was declared or paid in 2009 and 2010. For the year ended 31 December 2010, a final dividend of HKD0.015 (2009: HKD0.013) per ordinary share, amounting to HKD26,161,000 (2009: HKD22,673,000) has been proposed by Directors and is subject to the approval by shareholders of the Company in the forthcoming general meeting.

7. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	2010	2009
Earnings		
Profit for the year attributable to owners of the Company (HKD)	87,861,000	17,963,000
Number of shares		
Number of ordinary shares in issue during the year	1,744,044,773	1,744,044,773

The computation of diluted earnings per ordinary share does not assume the exercise of share options for 2009 because the exercise price of the Company's option was higher than the average market price of the shares. No diluted earnings per ordinary share for 2010 has been presented because the Company did not have any outstanding share options at the end of the reporting period.

8. TRADE AND OTHER RECEIVABLES

	2010 HKD'000	2009 HKD'000
Trade receivables	253,976	168,903
Less: allowance for doubtful debts	(4,970)	(5,780)
	249,006	163,123
Other receivables, prepayment and deposits	96,941	54,685
Total trade and other receivables	345,947	217,808

The Group allows an average credit period ranging from 60 to 90 days to its trade customers. Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debts, of HKD249,006,000 (2009: HKD163,123,000). The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2010 HKD'000	2009 HKD'000
0 to 30 days	232,593	156,222
31 to 60 days	8,681	4,518
61 to 90 days	3,367	342
Over 90 days	4,365	2,041
	249,006	163,123

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and score attributed to customers are reviewed twice a year. Approximately 98.2% (2009: 98.7%) of the trade receivables that are neither past due nor impaired have no default payment history.

Included in the Group's trade receivables balance are debtors with an aggregate carrying amount of HKD4,365,000 (2009: HKD2,041,000) which were past due at the reporting date but for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances. The average age of these receivables is 120 days (2009: 120 days).

Ageing of trade receivables which are past due but not impaired

	2010	2009
	HKD'000	HKD'000
Over 90 days	**4,365**	2,041

Movement in the allowance for doubtful debts

	2010	2009
	HKD'000	HKD'000
Balance at beginning of the year	**5,780**	6,220
Impairment losses recognised on receivables	**4,780**	3,520
Impairment losses reversed	**(5,590)**	(3,960)
	4,970	5,780

At the end of the reporting period, the carrying amounts of the Group's trade and other receivables that were denominated in a currency (i.e. HKD) other than the functional currency of the relevant group entities were as follows:

	2010	2009
	HKD'000	HKD'000
HKD	**486**	18

9. TRADE AND OTHER PAYABLES

	2010	2009
	HKD'000	HKD'000
Trade payables	**236,895**	159,737
Other payables, temporary receipt and accrual	**214,169**	151,568
	451,064	311,305

Included in trade and other payables are trade and bills payables of HKD236,895,000 (2009: HKD159,737,000). The following is an aged analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2010	2009
	HKD'000	HKD'000
0 to 30 days	129,256	82,072
31 to 60 days	54,762	39,827
61 to 90 days	23,402	16,594
Over 90 days	29,475	21,244
	236,895	159,737

The average credit period on purchases of goods is 90 days. The Group has financial risk management policies in place to ensure that all payables are settled within the credit timeframe.

At the end of the reporting period, the carrying amounts of the Group's trade and other payables that were denominated in a currency (i.e. HKD) other than the functional currency of the relevant group entities were as follows:

	2010	2009
	HKD'000	HKD'000
HKD	9,274	7,184

PROPOSED FINAL DIVIDEND

The Board recommended a final dividend of HKD0.015 per ordinary share (2009: HKD0.013 per ordinary share), payable on or about Monday, 4 July 2011 to shareholders whose names appear on the register of members of the Company ("**Register of Members**") at the close of business on Wednesday, 8 June 2011 ("**Shareholders**"). The payment of dividend is subject to the approval of Shareholders at an annual general meeting of the Company to be held on Friday, 10 June 2011 ("**2011 Annual General Meeting**").

CLOSURE OF REGISTER OF MEMBERS

Register of Members will be closed from Thursday, 9 June 2011 to Friday, 10 June 2011 (both days inclusive), during which period no transfer of shares will be effect. In order to qualify for the proposed final dividend and entitle to vote at the 2011 Annual General Meeting, all transfer 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, 8 June 2011.

CORPORATE GOVERNANCE

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 year ended 31 December 2010, 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 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-laws 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 3 are independent. 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 also discussed auditing, internal controls and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2010 of the Group.

Remuneration Committee

The remuneration committee of the Company ("**Remuneration Committee**") comprises 3 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, 17 June 2010, Mr. Ho Shing Chak, Dr. Ho Ting Seng, Mr. Li I Nan and Mr. Sze Sun Sun Tony retired and were re-elected as Directors.

As from 17 June 2010 and up to the date of this announcement, the Board comprises:

Executive Director
Mr. Chan Ting Chuen (Chairman)
Mr. Sze Sun Sun Tony (Deputy Chairman and Managing Director)
Mr. Chang Tsung Yuan (Deputy Chairman)
Mr. Chan Lu Min
Ms. Chen Fang Mei
Dr. Ho Ting Seng

Non-executive Director
Mr. Li I Nan

Independent Non-executive Director
Mr. Cheng Kar Shing
Mr. Feng Lei Ming
Mr. Ho Shing Chak
Mr. Huang Shenglan

GENERAL INFORMATION

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2010 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 on 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 2011 Annual General Meeting will be held at the Boardroom on the 10th Floor of Island Place Tower, 510 King's Road, North Point, Hong Kong on Friday, 10 June 2011 at 9:30 a.m. and the notice of annual general meeting will be published and dispatched to 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 2010, 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 the audited consolidated financial statements and notes to the financial statements for the year ended 31 December 2010 ("**2009 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 2010 Annual Report on or before Wednesday, 27 April 2011.

By Order of the Board
Chan Ting Chuen
Chairman

Hong Kong • 29 March 2011

* For identification purposes only