SYMPHONY HOLDINGS LTD.

新灃集團有限公司*

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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

GROUP FINANCIAL HIGHLIGHTS

- Group revenue for the first half of 2012 decreased by 14.1% to HK$973.9 million.
- Gross margin also fell to 7.6%.

CHAIRMAN'S STATEMENT AND OUTLOOK

The first half of 2012 was profoundly an uncertain time for all OEM manufacturers, including Symphony, with global sports brands as their customers. These customers were encountering a synchronized market slowdown and volatile currency fluctuations of unprecedented scale in recent memory. In the US, sales of a wide range of retailers were weak due to sluggish GDP growth and broad based cut back in consumer spending affected by high unemployment, poor job prospect and high debts. Likewise, the European consumers, who were severely affected by cuts in public spending to rein in public sector deficit, were extra cautious and tightened their belts. Many have continued to cut deeply into their budget and postponed purchasing decisions due to prevailing market uncertainty.

The extent of cutback in consumer spending during this period was substantial as even the normally upbeat consumer sentiments in China, India, Brazil and emerging nations were feeling the pinch. To some extent, retailers and distributors in China have begun to experience the same challenges encountered by the US and European counterparts, as growth decline and unemployment rises.

* *For identification purposes only*

The latest economic performance numbers go to demonstrate just how tightly markets are integrated and how they have moved in tandem, influencing and responding to each other. As a result of increased global connectivity all countries share the same economic fate either in good times or bad times. It should come as no surprise that after the economic stimulation measures wore off, China and emerging Asian countries now begin to feel the negative effect of global slowdown.

In view of this, it is realistic for us to expect the prevailing economic condition to persist until the larger issue of financial stability in European Union and sustained recovery in the US begin to take hold. It would therefore be prudent to take this external factor into account as we forecast the performance of the company for the rest of the year. There is a need for global consumer confidence to gain strength before we can be more certain of our growth prospect.

Viewed in this perspective, it was due to weak global consumer demand that our customers cut back orders from us and lead to our weak factory performance for the first half of the year. Competitive market pressure both in manufacturing and distribution resulted in a severely compressed GP margin.

In the first 6 months of 2012, the consolidated turnover fell by 14.1% year-on-year, to HK$973.9 million, compared to an increase of 39.6% during the same period last year.

By decomposition into 3 major business segments of our operation, manufacturing, the largest segment accounts for HK$898 million, or 92.2% of total sales, while branding and retailing account for HK$71.6 million or 7.3% of overall sales. Since the Shenyang outlet mall was still under construction and operations have not started during this period, it did not contribute to the total turnover.

On a consolidated basis, Symphony incurred a net loss of HK$166.0 million during the first 6 months of 2012, compared to a net profit of HK$16.3 million in the same period last year. The most significant contributors to the net loss are (a) a dramatic decline in gross profit margin from 16.3% of net sales in the first half of 2011 to 7.6% in the first half of this year, implying that cost of sales has increased by 8.7% of net sales; and (b) an amount of approximately HK$47.4 million has been incurred as a result of the closure of two manufacturing plants in China. Of this increase, labor costs constitute 4% of the increase, overheads, 2.2%, and raw materials, 2.5%. With the continuation of current trends, pressure on margin compression is not expected to let up anytime soon.

Challenges of Manufacturing Activities

The mainstay of Symphony's business continues to be its manufacturing activities. In the past few years, in the face of higher production costs, declining margins and other competitive challenges, we had made a strategic decision earlier to relocate most of our manufacturing facilities to Vietnam. Right now, we have a factory in Henan, China where labor costs and overheads remain competitive. To complete the long-term factory location plan, we decided earlier in the year to close down operations in Fujian and Panyu as well.

Due to the two factory closures, Symphony had incurred a sizeable one-time expense in the forms of severance payments, labor law mandated arrears payments to workers and related staff members. With this organizational change, we expect our factories to be competitive in the long-term and that our margins will improve.

Branding and Retail Distribution

Symphony is committed to investing new resources to develop both its existing brand portfolios and strengthening its retail market presence in China. Even though the size of our business is relatively small, we believe that the future of Symphony lies in capturing this space in Greater China where we have a competitive advantage.

Following the re-organization of its management structure, Pony is now positioned for sustained growth. Pony's head office is now relocated to Hong Kong. Its global licensee network is expanding and it is gaining customer support globally.

2012 marks the 40th anniversary of Pony. During the first half of this year marketing efforts intensified. Pony has had creative collaborations with 3 unique and renowned talents, namely, Dee & Ricky who spearheaded the market with their artistic limited editions of sneaker designs; Ricky Powell, a New York institution in his own right and with whom we work closely on a range of products and Sneaker Freaker, a global phenomena through which we documented Pony's rich cultural heritage, designs and revelations in the sneaker world.

A Pony specialty store in Tsim Sha Tsui Hong Kong was launched to promote the brand's image. This store showcases products of Pony worldwide and will be a key focus in tapping the brisk consumption power of mainland tourists. Our license and distribution network have expanded to uncharted frontiers as a result of increased interests in Pony. We have better choice of alliance with more seasoned and quality brand operators as our licensees and distributors as a result of improved brand image.

Despite a challenging retail market in the US, Haggar has done well by gaining market share in its category. Haggar's lifestyle image will further be enhanced by partnering with department stores that achieves brand intensification in 550 doors beginning mid-year 2013. The product range will be expanded to include life khaki shirts, casual pants, sweaters and outerwear direct. With the expansion of Haggar Canada and Haggar Mexico, significant sales and EBITDA growth are expected.

The future growth strategies will be focused on maintaining, growing and improving the financial metrics of Haggar's current business while expanding categories and distribution both domestically and internationally.

Distribution of brand licensed products

Currently, Symphony is appointed licensee for Speedo and Helly Hanson; it is also distributing Mango as an authorized distributor.

In the first 6 months of 2012, consolidated turnover of our brand portfolio had grown by 21.1% to HK$71.6 million compared to the same period last year.

The biggest contributor to the brand license business is Speedo. Speedo's overall turnover increased by 39.3% year-on-year compared to the same period last year to HK $46.7 million due primarily to the increase in the number of points of sales.

Speedo's positive results were attributable to the success of The London Olympics held in early August where Speedo brand featured prominently in promoting swimming events and Speedo products were widely donned by participants. The success of Speedo-sponsored China Swimming Team also contributed to our brand success. We are confident that more Chinese consumers are now motivated to purchase Speedo products in China because of the above events.

As for Helly Hansen, its business was impacted more by changes in the external market conditions. Overall sales turnover grew 8.9% year-on-year, compared to the same period last year.

We continue to be bullish about the growth prospect of Helly Hansen as it is in the early phase of brand development in China. The brand owner is excited to work with us to tailor its products to fit well with the customers' needs in China.

Mango turnover decreased by 17.5% mainly due to poor product quality and late product shipment issues from Mango's HQ in Spain, one of the most troubled countries in Europe. We believe the quality issues have now been satisfactorily resolved by Mango and we are closely monitoring its shipment scheduling.

Going forward, we expect Speedo to continue to grow by boosting sales through franchisee enhanced participation. We plan to focus the business expansion of Helly Hansen to only specific cities to better match its desired brand positioning and control early phase investments. We will continue to negotiate with Mango to transitioning key strategic cities to our operation.

Outlet mall and property development

The Shenyang Outlet Mall project is a joint venture between Symphony and its two Japanese partners: Mitsubishi Estate and Toyota Tsusho. The goal of this project is to use this mall as a pilot for a network of malls to launch into other cities.

Our outlet mall in Shenyang is targeted to open for business in the last quarter of 2012 and expects to achieve 80% occupancy in the beginning and full occupancy by early next year. The current brand mix includes a combination of international brands (23%), leading local brands (36%), sports & outdoor brands (14%), household, the cinema & others (27%).

The Group is actively soliciting well established real estate developers to co-develop the residential project in Shenyang for rental purpose; the parties include overseas as well as leading local real estate developers. Decision on the commercial use of the properties will be subject to final management decision. It is expected that the discussion will come to fruition in the first half of 2013.

Looking into the future, Symphony will henceforth concentrate its efforts in developing higher value-added and profitable activities by reducing its investment in the increasingly challenging manufacturing sector. Instead, it will devote more energy and resources to fostering businesses with higher chances of success. In this regard, the Pony brand efforts will be significantly strengthened since its long heritage has attracted renewed consumer's interests globally. Our efforts in developing outlet mall in Shenyang have been rewarded with strong support and confidence from our Japan partners, who have expressed desire to expand to more locations. It is probable that in the near future, we will utilize our experience and expertise learned from Shenyang to launch into some other cities.

OPERATION REVIEW

In the first half of 2012, the performance of the manufacturing and certain retail sections of the Group was impacted by the troubled world economy.

Interests in jointly controlled entities increase from HK$42.4 million to HKS66.6 million attributable to brand building efforts, capital injection and business expansion in PRC. Inventory stood at HK$484.9 million as at 30 June 2012, with the commencement of shipment of finished goods in July, it is expected that the inventory level will gradually improve.

Trade and other receivables rose from HK$416.5 million to HK$499.8 million out of which HK$408.4 million are trade and bills receivables, net of allowance for doubtful debts. The Company also managed to substantially reduce over 80% of its trade receivables with an aging period of 61 days to over 90 days.

As at 30 June 2012, the Group had interest bearing bank borrowings of HK$597.4 million. As a result, the finance costs were approximately HK$3.5 million during the period.

Manufacturing and Retailing Business Market Information

During the period, sales to North America comprised 63.4% (2011: 43.6%) and orders to Europe comprised 17.1% (2011: 21.6%) of the total sales and the remaining 19.5% (2011: 34.8%) was shared between Asia, Africa, Australia, Latin America and the Middle East.

Production Facilities

As at 30 June 2012, the Group had an aggregate number of 23 production lines, of which 5 are in Xuchang and a further 15 are in Vietnam.

Customer Relationship Maintenance and Research and Development

Our experience and working knowledge on the manufacturing process, production materials and procurement enables us to work closely with our customers to deliver quality and cost-effective products efficiently. We maintain a close relationship with our customers due to our long term understanding of their needs.

Liquidity and Capital Resources

As at 30 June 2012, the Group had bank balances and cash of HK$323.6 million (31 December 2011: HK$277.7 million). The Group was offered banking facilities amounting to HK$1,035.5 million (31 December 2011: HK$568.5 million). As at 30 June 2012, the Group's total borrowing was HK$597.4 million (31 December 2011: HK$120.0

million). The Group has variable interest-rate bank loans which carry interest range from 1.38% to 2.97% per annual for the six months ended 30 June 2012. The effective interest rate of the Group's bank loans is 1.8% (2011: 1.52%). The gearing ratio stood at 40.2% (2011: 7.1%), based on total borrowing over shareholders' equity. The banking facilities were secured by corporate guarantees from the Company and certain of its subsidiaries. Bank loans are secured by certain land and buildings and investment properties of the Group.

Contingent Liabilities

The judicial review proceedings filed by the Group in March 2011 were heard on the 1st and 2nd February of 2012. The judgment in respect of the judicial review was handed down in May 2012. Among others, the Group's application for relief to quash each of the assessments issued by the IRD and the conditional holdovers were not granted. The Court of First Instance held that the IRD can issue multiple assessments in respect of the same set of profits to different taxpayers on alternative bases, so long as there is no double recovery of tax.

Human Resources

As at 30 June 2012, the total number of employees of the Group was approximately 15,000. Employee cost (excluding directors' emoluments) amounted to approximately HK$264.7 million (2011: HK$245.9 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

For the six months ended 30 June 2012, the Group has granted no share option, there was no outstanding, lapsed or cancelled share option pursuant to the 2011 share option scheme.

Event After Reporting Period

On 15 August 2012, the Group and Mitsubishi Estate Co. Ltd ("MEC"), being shareholders of Premier Ever Group Limited ("Premier Ever"), each applied for allotment of 9,294,000 shares and 5,576,000 shares of Premier Ever at par of US$1.00 respectively. On the same date, 5,576,000 shares at a consideration of US$5,576,000 were allotted to MEC. Upon the allotment of 9,294,000 shares at a consideration of US$9,294,000 to the Group, the percentage shareholding of the Group and MEC in Premier Ever will remain unchanged.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six months ended 30 June

Unaudited

	Notes	2012 HK$'000	2011 HK$'000 (Restated)
Revenue	3	973,860	1,134,020
Cost of sales		(900,095)	(949,521)
Gross profit		73,765	184,499
Other income		47,368	75,613
Distribution and selling expenses		(75,823)	(90,073)
Administrative expenses		(154,912)	(96,330)
Other expenses		(5,572)	(5,964)
Share of results of jointly controlled entities		(41,312)	(29,819)
Finance costs		(3,464)	(1,024)
(Loss)/Profit before income tax expense		(159,950)	36,902
Income tax expense	4	(6,027)	(20,568)
(Loss)/profit for the period	5	(165,977)	16,334
Other comprehensive income/(expense)			
Exchange differences arising on translation of foreign operations		(12,159)	13,939
Fair value gain of available-for-sale investments		448	111
Release of investments revaluation reserve to profit or loss upon disposal of available-for-sale investments		(113)	-
Deferred tax liability arising on revaluation of properties		-	(2,079)
Share of other comprehensive (expense)/income of jointly controlled entities		(483)	1,399
Surplus arising on revaluation of properties		-	11,848
Exchange reserve released upon closure of a jointly controlled entity		-	(3)
Other comprehensive (expense)/ income for the period (net of tax)		(12,307)	25,215
Total comprehensive (expense)/income for the period		(178,284)	41,549
(Loss)/profit for the period attributable to:			
Owners of the Company		(172,664)	3,857
Non-controlling interests		6,687	12,477
		(165,977)	16,334
Total comprehensive (expense)/income attributable to:			
Owners of the Company		(182,605)	28,667
Non-controlling interests		4,321	12,882
		(178,284)	41,549
(Loss)/earnings per share			
Basic and diluted (HK cents)	7	(13.20)	0.39

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	Unaudited At 30 June 2012 HK$'000	Audited At 31 December 2011 HK$'000 (Restated)
Non-current assets			
Property, plant and equipment	8	345,061	362,443
Investment properties	8	967,145	923,432
Prepaid lease payments		18,916	19,382
Deposit paid for acquisition of an investment property		120,823	44,390
Interests in jointly controlled entities	9	66,632	42,383
Advances to jointly controlled entities		171,188	171,388
Available-for-sale investments		2,187	5,665
Deferred tax assets		16,269	13,132
Tax recoverable		23,214	23,214
Club debentures		2,003	2,003
		1,733,438	1,607,432
Current assets			
Inventories		484,912	346,028
Amounts due from jointly controlled entities		27,056	23,936
Trade and other receivables	11	499,763	416,532
Prepaid lease payments		536	541
Bank balances and cash		323,585	277,715
		1,335,852	1,064,752
Asset classified as held for sales	10	5,000	-
		1,340,852	1,064,752
Current liabilities			
Trade and other payables	12	524,478	484,407
Amounts due to jointly controlled entities		24,476	25,286
Tax payable		55,750	56,860
Dividend payable		13,080	-
Bank borrowings	13	597,384	120,000
		1,215,168	686,553
Net current assets		125,684	378,199
Total assets less current liabilities		1,859,122	1,985,631
Deferred tax liabilities		86,246	86,201
Net assets		1,772,876	1,899,430
Capital and reserves			
Share capital	14	130,804	130,804
Share premium and reserves		1,354,857	1,564,262
Equity attributable to owners of the Company		1,485,661	1,695,066
Non-controlling interests		287,215	204,364
		1,772,876	1,899,430

Notes:

1. BASIS OF PREPARATION

The unaudited 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 ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

2. PRINCIPAL ACCOUNTING POLICIES

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

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 2011, except as those explained below.

The Group has applied for the first time the following relevant revised standards, amendment and interpretations ("**new/revised HKFRSs**") issued by HKICPA which are effective for the current period.

Amendments to HKFRS 7	Disclosure – Transfers of Financial Assets
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets

Amendments to HKAS 12 - Deferred Tax – Recovery of Underlying Assets
Amendments to HKAS 12 clarify the determination of deferred tax for investment property measured at fair value. The amendments introduce a rebuttable presumption that deferred tax on investment property measured at fair value should be determined on the basis that its carrying amount will be recovered through sale.

The Group has adopted these amendments retrospectively for the financial period ended 30 June 2012 and the effects of adoption are disclosed as follows.

The Group has investment properties, including investment property classified as held for sale, measured at their fair values amounting to HK$972,145,000 (31 December 2011: HK$923,432,000) as of 30 June 2012. As required by the amendments, the Group has re-measured the deferred tax relating to these investment properties according to the tax consequence on the presumption that they are recovered entirely by sale, or rebutting this presumption, where appropriate. The comparative figures for 2011 have been restated to reflect the change in accounting policy, as summarised below:

Effect on condensed consolidated statement of financial position

	30 June 2012	31 December 2011
	HK$'000	HK$'000
Decrease in deferred tax liabilities	**(16,520)**	(16,194)
Increase in retained profits	**16,194**	16,594

Effect on condensed consolidated statement of comprehensive income

	30 June 2012 HK$'000	30 June 2011 HK$'000
(Decrease)/increase in income tax expense	(326)	789
Decrease in loss/(profit) for the period	326	(789)
Decrease in loss/(profit) attributable to the owners of the Company	326	(619)
Decrease in basic and diluted loss/(earnings) per share	HK$0.02 cents	(HK$0.06 cents)

Investment properties amounting to HK$496,616,000 (2011: HK$447,400,000) are held by a subsidiary with a business model to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sales. For these investment properties, the presumption is rebutted and related deferred tax is not remeasured.

Except for the adoption of amendments to HKAS 12, other new and revised HKFRSs did not have an impact on the Group's financial position and performance.

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

Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income[1]
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities[2]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2009 - 2011 Cycle[2]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurements[2]
HKAS 19 (2011)	Employee Benefits[2]
HKAS 27 (2011)	Separate Financial Statements[2]
HKAS 28 (2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[3]
HKFRS 9	Financial Instruments[4]
Amendments to HKFRS 7 and HKFRS 9	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[4]

1 *Effective for annual periods beginning on or after 1 July 2012*
2 *Effective for annual periods beginning on or after 1 January 2013*
3 *Effective for annual periods beginning on or after 1 January 2014*
4 *Effective for annual periods beginning on or after 1 January 2015*

Having assessed the impact of these revised standards, amendments and interpretations on the Group's financial statements, the directors of the Company have so far concluded that the application of these standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SEGMENT INFORMATION

The Group's reportable segments, based on information reported to the chief operating decision maker, being the managing director of the Company, for the purpose of resource allocation and performance assessment 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 and holding.

The following is an analysis of the Group's revenue and results by reportable segments for the period under review:

Six months ended 30 June 2012
Unaudited

	Footwear manufacturing	Retailing and sourcing	Property investment & holding	Consolidated
	HK$'000	HK$'000	HK$'000	HK$'000
REVENUE				
External sales	898,021	71,576	4,263	973,860
Segment profit/(loss)	(80,445)	(38,977)	40,897	(78,525)
Corporate income:				
Interest income				3,804
Gain on disposal of available for sale investments				189
Others				401
Central administrative costs				(44,507)
Share of results of jointly controlled entities				(41,312)
Loss before income tax expense				(159,950)

Six months ended 30 June 2011
Unaudited

	Footwear manufacturing	Retailing and sourcing	Property investment & holding	Consolidated
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
REVENUE				
External sales	1,071,683	59,099	3,238	1,134,020
Segment profit/(loss)	42,868	(18,023)	70,643	95,488
Corporate income:				
Interest income				3,787
Gain on disposal of an investment property				200
Others				175
Central administrative costs				(32,929)
Share of results of jointly controlled entities				(29,819)
Profit before income tax expense				36,902

Segment profit/(loss) represents the profit earned or the loss incurred by each segment without allocation of corporate income, which includes interest income, gain on disposal of available-for-sale investments, gain on disposal of an investment property and others, central administrative costs which include bank charges, donation and loss on disposal of property, plant and equipment, etc. and share of results of jointly controlled entities. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and performance assessment.

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

	Unaudited 30 June 2012 HK$'000	Audited 31 December 2011 HK$'000
Footwear manufacturing	1,105,944	897,063
Retailing and sourcing	115,120	114,705
Property investment	1,221,092	1,100,980
Total segment assets	2,442,156	2,112,748

Unallocated	632,134	559,436
Consolidated assets	3,074,290	2,672,184

All assets are allocated to reportable segments other than advances 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 and bank balances and cash.

4. INCOME TAX EXPENSE

Six months ended 30 June
Unaudited

	2012 HK$'000	2011 HK$'000 (Restated)
Current tax charge:		
Hong Kong	-	238
Other jurisdictions	9,119	2,008
	9,119	2,246
Deferred tax charge:		
Current period	(3,092)	18,322
	6,027	20,568

Hong Kong Tax

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

From 2008 to 2011, the Inland Revenue Department ("IRD") issued protective profits tax assessments for additional profits tax to certain wholly-owned subsidiaries of the Company relating to the years of assessment of 2001/2002 to 2004/2005 i.e. for the four financial periods ended 31 December 2004.

The Group had lodged objections with the IRD against the protective profits tax assessments. The IRD agreed to hold over the additional tax claimed subject to the relevant subsidiaries' purchases of tax reserve certificates ("TRCs") amounted to approximately HK$23 million. These TRCs were purchased and included in tax recoverable as at 30 June 2012 and 31 December 2011. In July and August 2012, the Group purchased additional TRCs amounted to HK$10.2 million relating to the year of assessment of 2004/2005 at the request of IRD.

In December 2011, the Deputy Commissioner of the IRD issued his written determinations. Among others, he is of the view that the wholly-owned subsidiaries referred to above are subject to Hong Kong profits tax and confirmed/revised the protective profits tax assessments for 2001/2002 to 2004/2005 in the amount of approximately HK$306 million in aggregate. In January 2012, the Group filed notices of appeal to the Board of Review objecting to the written determinations the IRD issued in December 2011. The Group is currently awaiting the appeal to be heard.

In March 2012, the IRD also issued protective profits tax assessments for profits tax or additional profits tax for HK$90.5 million in aggregate in accordance with the written determinations referred to above to the wholly owned subsidiaries concerned for the year of assessment 2005/2006. The Group had lodged objections with the IRD against these protective profits tax assessments. The IRD agreed to hold over the additional tax claimed subject to the Group purchasing TRCs amounted to HK$12 million which the Group did in July 2012.

The protective assessments issued by IRD according to his determination for additional profits tax in aggregate of HK$396.5 million mentioned above for the years of assessment from

2001/2002 to 2005/2006 were issued on three alternative bases on the same set of profits for each year of assessment.

In March 2011, the Group filed an application to the Court for a judicial review contending, inter alia, whether the IRD has the power to issue multiple assessments against different group companies for the same set of profits for the years of assessment of 2001/2002 to 2004/2005.

The judicial review proceedings were heard on the 1st and 2nd February of 2012. The judgment in respect of the judicial review was handed down in May 2012. Among others, the Group's application for relief to quash each of the assessments issued by the IRD and the conditional holdovers were not granted. The Court of First Instance held that the IRD can issue multiple assessments in respect of the same set of profits to different taxpayers on alternative bases, so long as there is no double recovery of tax.

Based on the mode of operations and activities of the subsidiaries and the merit of the Group's position, the directors are of the opinion that the group companies concerned are not subject to Hong Kong profits tax.

As the result of the Board of Review is pending, the eventual outcome of this action which is being handled by the Group's legal advisor and the financial impact thereof on the Group, if any, cannot be readily ascertained at this stage.

The People's Republic of China (the "PRC") Tax

The tax status for a subsidiary, Fuqing Grand Galatica Footwear Co. Ltd. 福清宏太鞋業有限公司 ("Fuqing Grand Galatica"), of the Group operating in PRC, is as follows:

- Fuqing Grand Galatica enjoyed the preferential tax rate of 24% for the six months ended 30 June 2011. The tax rates for current period steps up to 25%;

For other PRC subsidiaries, the applicable tax rate was 25% during the period.

Vietnam Tax

Stateway Vietnam Footwear Co. Ltd. ("Stateway Vietnam") was entitled to 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 further tax preferential treatment in the form of a 50% reduction in the applicable tax rate in Vietnam. Stateway Vietnam incurred loss for tax purpose during the period. It enjoyed its first tax exemption year in 2010.

Continuance Vietnam Footwear Co. Ltd. ("Continuance Vietnam") was entitled to exemption from enterprise income tax for two years starting with the first profit-making year. For the following three years, Continuance Vietnam would be entitled to further tax preferential treatment in the form of a 50% reduction in the applicable tax rate in Vietnam. Continuance Vietnam has not yet commenced its tax exemption period as it has not yet making profit up to the end of the reporting period.

For another Vietnam subsidiary, the applicable tax rate was 25% during the period.

Others

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

5. (LOSS)/PROFIT FOR THE PERIOD

Six months ended 30 June
Unaudited

	2012 HK$'000	2011 HK$'000
(Loss) / profit for the period has been arrived at after charging/(crediting):		
Depreciation of property, plant and equipment	21,494	19,763
(Reversal) / provision of bad and doubtful debts	(120)	4,100
Allowance for inventories, net	12,083	1,649
Amortisation of prepaid lease payments	270	264
Research and development costs	9,060	9,816
Provision for financial guarantee contracts	2,400	-
Severance and termination costs	47,392	-
Government grant	(34,171)	-
Interest income from:		
Bank deposits	(512)	(310)
Advance to a jointly controlled entity	(3,208)	(3,237)
Available-for-sale investments	(84)	(240)
Gain on disposal of available-for-sale investments	(189)	-
Gain on disposal of an investment property	-	(200)
Loss on deregistration of a subsidiary	783	-
Increase in fair value of investment properties	(2,000)	(68,077)

6. DIVIDENDS

Six months ended 30 June
Unaudited

	2012 HK$'000	2011 HK$'000
2010 final dividend of HKD0.015 per share paid	-	26,161
2011 final dividend of HKD0.01 per share declared	13,080	-

The final dividend for year ended 31 December 2011 was subsequently paid on 4 July 2012. Directors do not recommend the payment of an interim dividend (2011: Nil) for the period ended 30 June 2012.

7. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to the owners of the Company is based on the following data:

Basic (loss)/earnings per share
Six months ended 30 June
Unaudited

	2012 HK$'000	2011 HK$'000 (Restated)
(Loss)/Profit attributable to owners of the Company	(172,664)	3,857
	Number of shares (000)	Number of Shares (000)
Weighted average number of ordinary shares for the purpose of basic earnings per share	1,308,034	988,473
Basic (loss)/earnings per share (HK cents)	(13.20)	0.39

The weighted average number of ordinary shares for the purpose of basic earnings per share in 2011 has been adjusted for the issue of shares by way of an open offer in June 2011 and the reduction of shares through share consolidation in July 2011.

Diluted (loss)/earnings per share

The amount of diluted (loss)/earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares in existence during the six months ended 30 June 2012 and 2011.

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

Property, plant and equipment

During the period, the Group acquired property, plant and equipment at a cost of HK$9,655,000 (1.1.2011-30.6.2011: HK$13,767,000).

The buildings of the Group located in the PRC and Hong Kong were fair valued on 30 June 2011 and 2012 by Prudential Surveyors (Hong Kong) Limited ("Prudential"), an independent firm of professional property valuers, Chartered Surveyors. The fair value of land and buildings, adopted the direct comparison approach with reference to market comparable sales evidence available in the market and where appropriate on the depreciated replacement cost approach in the absence of comparable sales evidence, resulted in an surplus of HK$ Nil (1.1.2011-30.6.2011: HK$11,848,000) which was credited directly to the properties revaluation reserve.

At 30 June 2012, Directors have considered the carrying amounts of the Group's freehold land at revalued amounts and concluded that at that date, their fair values did not differ significantly from their carrying amounts. Directors adopted the direct comparison approach with reference to market comparable sales evidence available in the market for the valuation.

Investments properties

During the period, the Group acquired investment properties at a total cost of HK$53,803,000 (1.1.2011-30.6.2011: HK$217,765,000). The Group's investment properties and investment properties under development were fair valued on 30 June 2011 and 2012 by Prudential. The fair value of investment properties and investment properties under development, adopted the direct comparison approach with reference to the market comparable sales evidence available in the market and income approach respectively, resulted in an increase in fair value of investment properties of HK$2,000,000 (1.1.2011-30.6.2011: HK$68,077,000) which was credited directly to profit or loss for the six months ended 30 June 2012.

9. INTERESTS IN JOINTLY CONTROLLED ENTITIES

During the period ended 30 June 2012, the Group injected additional capital contribution of HK$66,045,000 into an existing jointly controlled entity.

10. ASSET CLASSIFIED AS HELD FOR SALES

On 12 June 2012, the Group entered into a sale and purchase agreement for the disposal of an investment property with a carrying amount of HK$5,000,000 as at 30 June 2012 at a consideration of HK$5,000,000. Accordingly, the investment property was classified as asset held for sales. The transaction was completed on 11 July 2012.

11. TRADE AND OTHER RECEIVABLES

The Group generally allows an average credit period ranging from 60 days to 90 days to its trade customers. Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debt of HK$408,423,000 (31 December 2011: HK$328,355,000).

The following is an ageing analysis of trade receivables net of allowances for doubtful debts presented based on the invoice date at the end of the reporting period:

	Unaudited 30 June 2012 HK$'000	Audited 31 December 2011 HK$'000
0 to 30 days	**376,631**	240,509
31 to 60 days	**24,654**	14,511
61 to 90 days	**1,636**	16,772
Over 90 days	**5,502**	56,563
	408,423	328,355

12. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade and bills payables of HK$253,498,000 (31 December 2011: HK$228,416,000).

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	Unaudited 30 June 2012 HK$'000	Audited 31 December 2011 HK$'000
0 to 30 days	**144,199**	116,673
31 to 60 days	**37,204**	58,924
61 to 90 days	**37,987**	18,683
Over 90 days	**34,108**	34,136
	253,498	228,416

13. BANK BORROWINGS

	Unaudited 30 June 2012 HK$'000	Audited 31 December 2011 HK$'000
Carrying amount of variable interest-rate bank loans repayable within one year	**489,384**	40,000
Carrying amount of variable interest-rate bank loans that are not repayable within one year from the end of the reporting period which contain a repayable on demand clause	**108,000**	80,000
Amounts shown under current liabilities	**597,384**	120,000

The Group has variable interest-rate bank loans which carry interest range from 1.38% to 2.97% per annum for the six months ended 30 June 2012. The effective interest rate of the Group's bank loans is 1.80% (2011: 1.52%).

Bank loans with carrying amount of HK$180,000,000 (2011: HK$120,000,000) are secured by certain of the Group's land and buildings and investment properties with a total carrying amount of HK$318,373,000 (2011: HK$320,000,000).

14. SHARE CAPITAL

	Number of Share	Share capital HK$'000
Authorised ordinary share of HK$0.10 each:		
At 1 January 2012 (audited)and 30 June 2012 (unaudited)	20,000,000,000	2,000,000
Issued and fully paid ordinary share of HK$0.10 each:		
At 1 January 2012 (audited)and 30 June 2012 (unaudited)	1,308,034,000	130,804

INTERIM DIVIDEND

Directors do not recommend the payment of an interim dividend (2011: Nil) for the six months ended 30 June 2012.

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 six months ended 30 June 2012, 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 and the external auditor the accounting principles and practices adopted by the Group and also discussed internal controls and financial reporting matters including the review of the unaudited condensed consolidated financial statements for the six months ended 30 June 2012 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.

Nomination Committee

The nomination committee of the Company ("**Nomination Committee**") comprises 3 independent Non-executive Directors. It is responsible for advising the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the Chief Executive.

The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination 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 Tuesday, 12 June 2012, Messrs. Chang Tsung Yuan, Li I Nan, Cheng Kar Shing and Feng Lei Ming retired and were re-elected as Directors.

As from 12 June 2012 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

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

For the six months ended 30 June 2012, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATIONS OF DETAILED RESULTS

The Interim Report containing the unaudited condensed consolidated financial statements and notes to the financial statements for the six months ended 30 June 2012 ("**2012 Interim Report**") will be published on both websites of the Company (www.symphonyholdings.com) and the Exchange (www.hkex.com.hk). Shareholders shall receive copies of the 2012 Interim Report on or before 30 September 2012.

APPRECIATION

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

By Order of the Board
Chan Ting Chuen
Chairman

Hong Kong • 28 August 2012