
THIS PROSPECTUS IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of the Prospectus Documents, you should obtain independent professional advice.

If you have sold or transferred all your Shares, you should at once hand the Prospectus Documents to the purchaser or transferee or to the bank, the licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Dealings in the existing Shares and the Rights Shares in their nil-paid and fully-paid forms may be settled through CCASS established and operated by HKSCC. You should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser for details of the settlement arrangements and how such arrangements may affect your rights and interests.

A copy of each of the Prospectus Documents, together with copies of the documents specified in the paragraph headed "Documents delivered to the Registrars of Companies" in appendix III to this Prospectus, have been registered with the Registrar of Companies in Hong Kong as required by Section 342C of the Companies Ordinance. A copy of each of the Prospectus Documents has been filed with the Registrar of Companies in Bermuda as required by section 26 of the Companies Act. The Registrars of Companies in Hong Kong and Bermuda and the Bermuda Monetary Authority take no responsibility as to the contents of any of these documents.

The Stock Exchange and HKSCC take no responsibility for the contents of the Prospectus Documents, make no representation as to their accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of the Prospectus Documents.

Subject to the granting of listing of, and permission to deal in, the Rights Shares on the Stock Exchange, the Rights Shares in both their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and the CCASS Operational Procedures in effect from time to time.



SYMPHONY
SYMPHONY HOLDINGS LIMITED
新豐集團有限公司*

(Incorporated in Bermuda with limited liability)
(Stock Code: 1223)

**Rights Issue of 554,901,591 Rights Shares
at HK\$0.63 per Rights Share in the proportion of one Rights Share
for every two existing Shares held on the Record Date**

Financial adviser to the Company

 **SOMERLEY LIMITED**

Underwriter

Well Success Investment Limited

The latest time for acceptance of and payment for the Rights Shares is 4:00 pm. on Tuesday, 30th August, 2005. The procedures for acceptance and transfer of the Rights Shares is set out on pages 15 to 17 of this Prospectus.

Shareholders should note that the Underwriting Agreement contains provisions granting the rights to the Underwriter to terminate the Underwriting Agreement by notice in writing to the Company at any time prior to the Settlement Time (which is expected to be 4:00 p.m. on Friday, 2nd September, 2005) if there occurs: (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or (iv) any material adverse change in the financial or trading position of the Group as a whole, and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole. If, at or prior to the Settlement Time: (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or (ii) the Underwriter shall receive notification under the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the relevant clause of the Underwriting Agreement was, when given, untrue or inaccurate in any material respect or would be untrue or inaccurate in any material respect if repeated as provided in the relevant clause of the Underwriting Agreement, and the Underwriter, in its reasonable opinion, determines that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or (iii) the Company shall, after any matter or event referred to in the relevant clause of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company, the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement. If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

Shareholders should note that existing Shares have been dealt in on an ex-rights basis since Wednesday, 10th August, 2005. The Rights Shares in their nil-paid form will be dealt in from Thursday, 18th August, 2005 to Thursday, 25th August, 2005 (both days inclusive). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled and/or waived, as the case may be, the Rights Issue will not proceed. Any Shareholder or other person contemplating selling or purchasing the existing Shares and/or the Rights Shares in their nil-paid form from Thursday, 18th August, 2005 to Thursday, 25th August, 2005 who is in any doubt about his/her/its position is recommended to consult his/her/its independent professional adviser. Any Shareholder or other person contemplating selling or purchasing the existing Shares and/or the Rights Shares in their nil-paid form up to the Settlement Time will accordingly bear the risk that the Rights Issue could not become unconditional and may not proceed.

* For identification purposes only

16th August, 2005

CONTENTS

	<i>Page</i>
Definitions	1
Termination of the Underwriting Agreement	4
Expected timetable	6
Letter from the Board	
Introduction	7
Terms	8
Underwriting Agreement	11
Shareholding structure	14
Reasons for the Rights Issue and use of proceeds	14
Listings and dealings	15
Procedures for acceptance and transfer	15
Applications for excess Rights Shares	17
Certificates for the Rights Shares	18
Equity fund raising activities in the past twelve-month period	18
Business review and prospects of the Group	19
Adjustment to the exercise price and number of Shares subject to the Options	19
Additional information	19
Appendix I – Financial information on the Group	20
Appendix II – Pro forma financial information	56
Appendix III – General information	59

DEFINITIONS

In this Prospectus, the following expressions have the following meanings, unless the context requires otherwise:

“Announcement”	the announcement of the Rights Issue by the Company dated 27th July, 2005
“Board”	the board of Directors
“Business Day”	a day on which banks are generally open for business in Hong Kong, other than a Saturday
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“Company”	Symphony Holdings Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Stock Exchange
“Companies Act”	the Companies Act 1981 of Bermuda
“Companies Ordinance”	the Companies Ordinance (Chapter 32 of the Laws of Hong Kong)
“Directors”	directors of the Company
“EAF”	application form for excess Rights Shares
“Excluded Shareholder(s)”	those Overseas Shareholder(s) whom the Directors, after making relevant enquiry pursuant to Rule 13.36(2)(a) of the Listing Rules, consider it is necessary or expedient to exclude from the Rights Issue on account either of the legal restrictions under the laws of the relevant place or the requirements of any relevant regulatory body or stock exchange in that place
“Group”	the Company and its subsidiaries
“HKSCC”	Hong Kong Securities Clearing Company Limited
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Ko Shing”	Ko Shing Limited, a wholly-owned subsidiary of Well Success
“Latest Practicable Date”	12th August, 2005, being the latest practicable date for ascertaining certain information for inclusion herein

DEFINITIONS

“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Options”	options granted or to be granted to the employees of the Company and Directors under the share option scheme of the Company adopted on 22nd October, 2001
“Overseas Shareholders”	Shareholders whose addresses on the register of members of the Company are outside Hong Kong on the Record Date
“PAL”	provisional allotment letter for the Right Shares
“Posting Date”	the date of despatch of the Prospectus Documents
“PRC”	the People’s Republic of China, for the purpose of this Prospectus, excluding Hong Kong, Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Prospectus”	this prospectus to the Shareholders in connection with the Rights Issue
“Prospectus Documents”	this Prospectus, PAL and EAF relating to the Rights Issue
“Qualifying Shareholder(s)”	Shareholder(s) on the register of members of the Company on the Record Date, other than the Excluded Shareholder(s)
“Record Date”	16th August, 2005, or such other date as Well Success may agree in writing with the Company as the date by reference to which entitlements to the Rights Issue will be determined
“Registrar”	Tengis Limited, the branch registrar of the Company in Hong Kong
“Rights Issue”	the proposed issue of the Rights Shares to Qualifying Shareholders on the terms summarised in this Prospectus
“Right Share(s)”	the new Share(s) proposed to be issued to Qualifying Shareholders pursuant to the Rights Issue
“Settlement Time”	4:00 p.m. on Friday, 2nd September, 2005, being the third Business Day following the date for acceptance of, and payment for, the Rights Shares (or such other time or date as the Underwriter and the Company may agree in writing)

DEFINITIONS

“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.25 each in the share capital of the Company
“Shareholder(s)”	holder(s) of (a) Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Price”	the subscription price of HK\$0.63 per Rights Share pursuant to the Rights Issue
“Underwriting Agreement”	the underwriting agreement entered into between the Company and the Underwriter dated 25th July, 2005 in relation to the Rights Issue
“Well Success” or “Underwriter”	Well Success Investment Limited, the controlling Shareholder and the underwriter of the Rights Issue
“HK\$”	Hong Kong dollars

TERMINATION OF THE UNDERWRITING AGREEMENT

Shareholders should note that the Underwriting Agreement contains provisions granting the rights to the Underwriter to terminate the Underwriting Agreement by notice in writing to the Company at any time prior to the Settlement Time if there occurs:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (iv) any material adverse change in the financial or trading position of the Group as a whole,

and in the reasonable opinion of the Underwriter, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole.

If, at or prior to the Settlement Time:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter shall receive notification under the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the relevant clause of the Underwriting Agreement was, when given, untrue or inaccurate in any material respect or would be untrue or inaccurate in any material respect if repeated as provided in the relevant clause the Underwriting Agreement, and the Underwriter, in its reasonable opinion, determines that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or

TERMINATION OF THE UNDERWRITING AGREEMENT

- (iii) the Company shall, after any matter or event referred to in the relevant clause of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter shall be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

EXPECTED TIMETABLE

2005

First day of dealings in nil-paid Rights Shares	Thursday, 18th August
Latest time for splitting nil-paid Rights Shares	4:00 p.m. on Monday, 22nd August
Last day of dealings in nil-paid Rights Shares	Thursday, 25th August
Latest time for acceptance of and payment for the Rights Shares	4:00 p.m. on Tuesday, 30th August
Underwriting Agreement becomes unconditional	4:00 p.m. on Friday, 2nd September
Announcement of the results of the Rights Issue	Monday, 5th September
Refund cheques for wholly and partially unsuccessful excess applications posted on or about	Monday, 5th September
Share certificates for the Rights Shares posted on or about	Monday, 5th September

Notes: Dealings in the fully-paid Rights Shares will commence as soon as the relevant Shareholders receive the share certificates for the Rights Shares.

All references to time in this Prospectus refer to Hong Kong time.

LETTER FROM THE BOARD



SYMPHONY
SYMPHONY HOLDINGS LIMITED

新豐集團有限公司*

(Incorporated in Bermuda with limited liability)

Executive Directors:

Mr. Li Kwok Lung, Alfred Ronald (*Chairman*)
Mr. Sze Sun Sun, Tony
(Deputy Chairman and Managing Director)
Mr. Chang Tsung Yuan (*Deputy Chairman*)
Mr. Ku Edward Y.
Mr. Chan Lu Min

Non-executive Directors:

Mr. Li I Nan
Mr. Chan Ting Chuen

Independent non-executive Directors:

Mr. Cheng Kar Shing
Mr. Feng Lei Ming
Mr. Ho Shing Chak

Registered office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

*Head office and principal place
of business in Hong Kong:*

10th Floor
Island Place Tower
510 King's Road
North Point
Hong Kong

16th August, 2005

*To the Qualifying Shareholders and, for information only,
holders of the Options*

Dear Sir or Madam,

**Rights Issue of 554,901,591 Rights Shares
at HK\$0.63 per Rights Share in the proportion of one Rights Share
for every two existing Shares held on the Record Date**

INTRODUCTION

The Directors announced in the Announcement that the Company proposed to raise approximately HK\$349.6 million before expenses by way of a rights issue of not less than 554,901,591 Rights Shares and not more than 592,536,615 Rights Shares at a price of HK\$0.63 each payable in full on acceptance. The Company has provisionally allotted one nil-paid Rights Share for every two existing Shares held by the Qualifying Shareholders whose names appeared on the register of members of the Company on the Record Date.

This Prospectus sets out further information on the Rights Issue, including information on dealing in, acceptance and transfer of, the Rights Shares and financial and other information in respect of the Group.

* For identification purposes only

LETTER FROM THE BOARD

TERMS

1. Issue statistics:

Basis of Rights Issue	–	One Rights Share for every two existing Shares held on the Record Date
Existing issued share capital	–	1,109,803,182 Shares
Number of the Rights Shares	–	554,901,591 Rights Shares
Subscription Price	–	HK\$0.63 for each Rights Share
Underwriter	–	Well Success

As at the Latest Practicable Date, there were 75,270,048 Options outstanding entitling the holders thereof to subscribe for 75,270,048 Shares. None of the 75,270,048 Options were exercised on or before the Record Date.

Save for the Options, the Company has no other outstanding convertible securities, options, or warrants in issue which confer any right to subscribe for, convert or exchange into Shares as at the Latest Practicable Date.

The Rights Shares to be issued represent 50% of the existing issued share capital of the Company and approximately 33.3% of the issued share capital of the Company as enlarged by the issue of the Rights Shares.

2. Qualifying Shareholders:

The Company has provisionally allotted Rights Shares, and sent PALs and EAFs to Qualifying Shareholders only.

Shareholders having an address in Hong Kong on the register of members of the Company at the close of business on the Record Date are Qualifying Shareholders. Shareholders having an address outside Hong Kong on the register of members of the Company at the close of business on the Record Date will be Qualifying Shareholders unless the Board, after making relevant enquiries pursuant to Rule 13.36(2)(a) of the Listing Rules, considers that the offer of Rights Shares to these Shareholders would contravene any legal restriction under the laws of the relevant place or any requirement of the relevant regulatory body or stock exchange in that place or that such offer will require any relevant registration.

3. Rights of Overseas Shareholders:

The Prospectus Documents have not been and will not be registered and/or filed under the securities or equivalent legislation of any jurisdiction other than the applicable laws in Hong Kong and Bermuda. Based on the register of members of the Company as at the Latest Practicable Date, there were Overseas Shareholders with registered addresses in the PRC and Malaysia. The Board has made enquiries as to whether the issue of Rights Shares to such Overseas Shareholders may contravene the applicable securities

LETTER FROM THE BOARD

legislation of the relevant overseas places or the requirements of any relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company has been advised by its Malaysian lawyer that the offer of the Rights Shares to Shareholders with addresses in Malaysia will require registration of the Prospectus and is subject to legal restrictions regarding offer of Rights Shares. In light of the time and costs involved, the Directors have concluded that the Rights Issue would not be extended to Shareholders with addresses in Malaysia. In light of the legal restrictions involved, instead of posting the Prospectus to such Excluded Shareholders as stated in the Announcement, none of the Prospectus Documents has been sent to them. The Company has been advised by its PRC lawyer that the offer of the Right Shares do not require registration of the Prospectus in the PRC. As such, the Rights Issue has been extended to Shareholders with addresses in the PRC.

Arrangements have been made for the Rights Shares which would otherwise have been provisionally allotted to the Excluded Shareholders to be sold in the market in their nil-paid form as soon as practicable after dealings in the nil-paid Rights Shares commence on the Stock Exchange and in any event before the last date for acceptance of payment for the Rights Shares, if a premium (net of expenses) can be obtained. Proceeds of each sale, less expenses and stamp duty, of HK\$100 or more will be paid to the relevant Excluded Shareholder in Hong Kong dollars. The Company will retain individual amounts of less than HK\$100 for the benefit of the Company.

4. Basis of provisional allotment:

One Rights Share in nil-paid form for every two existing Shares held by a Qualifying Shareholder on the Record Date.

5. Status of the Rights Shares:

When issued and fully paid, the Rights Shares will rank pari passu in all respects with the existing Shares in issue. Holders of the fully-paid Rights Shares will be entitled to receive all dividends and distributions which are declared, made or paid after the date of allotment of the Rights Shares in their fully-paid form.

6. Fractional entitlements:

Fractional entitlements to the Rights Shares have not been issued but have been aggregated and, if possible, to be sold for the benefit of the Company.

7. Subscription Price:

The Subscription Price of HK\$0.63 per Rights Share is payable in full if a Qualifying Shareholder accepts the provisional allotment of Rights Shares or applies for excess Rights Shares or when a transferee of nil-paid Rights Shares takes up the relevant Rights Shares.

The Subscription Price represents:

- (i) a discount of approximately 61.8% to the closing price of HK\$1.65 per Share as quoted on the Stock Exchange on 25th July, 2005 (being the last trading day prior to release of the Announcement);
- (ii) a discount of approximately 51.9% to the theoretical ex-rights price of HK\$1.31 per Share based on the aforesaid closing price per Share;

LETTER FROM THE BOARD

- (iii) a discount of approximately 61.8% to the average closing price of the Shares for the five trading days ended on 25th July, 2005 of HK\$1.65 per Share;
- (iv) a discount of approximately 61.9% to the average closing price of the Shares for the ten trading days ended on 25th July, 2005 of HK\$1.653 per Share;
- (v) a discount of approximately 49.2% to the closing price of HK\$1.24 per Share on the Latest Practicable Date; and
- (vi) a discount of approximately 20.3% to the net tangible asset value of approximately HK\$0.79 per Share based on the audited consolidated net tangible asset value of the Company as at 31st December, 2004 and the existing 1,109,803,182 Shares in issue.

The Subscription Price was arrived at after arm's length negotiations between the Company and the Underwriter having taking into consideration the market prices of the Shares prevailing at the time of the Underwriting Agreement and the net asset backing of the Shares. The substantial discount of the Subscription Price to the market price of the Shares is to provide incentive to Shareholders to subscribe for the Rights Shares.

8. Share certificates and refund cheques:

Subject to the fulfillment and/or waiver of the conditions, as the case may be, of the Rights Issue, share certificates for all fully-paid Rights Shares are expected to be posted on or about Monday, 5th September, 2005 by ordinary post at the risk of the Shareholders. Refund cheques in respect of wholly or partially unsuccessful applications for excess Rights Shares are also expected to be posted on or about Monday, 5th September, 2005 by ordinary post at the risk of the Shareholders.

9. Application for excess Rights Shares:

Qualifying Shareholders may apply for any unsold entitlements of Excluded Shareholders and any Rights Shares provisionally allotted but not accepted by Qualifying Shareholders or otherwise subscribed for by transferees of nil-paid Rights Shares. Application can be made by completing the EAF and lodging the same with remittance for the excess Rights Shares. The Directors will allocate the excess Rights Shares at their discretion on a fair and equitable basis and will give preference to topping up odd lots to whole board lots.

The latest time for acceptance of and payment for the Rights Shares and the application for the excess Rights Shares is 4:00 p.m. on Tuesday, 30th August, 2005, or such other date as may be agreed between the Company and the Underwriter.

10. Conditions to the Rights Issue

The Rights Issue is conditional upon, among other things, each of the following conditions being fulfilled and/or waived, as the case may be:

- (i) the Listing Committee of the Stock Exchange granting approval for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the dates specified in such approval and not having withdrawn or revoked such listing and permission on or before the Settlement Time;

LETTER FROM THE BOARD

- (ii) the delivery to the Stock Exchange and filing and registration of all documents relating to the Rights Issue required by law to be filed, with the Registrar of Companies in Hong Kong and the Registrar of Companies in Bermuda respectively;
- (iii) compliance by the Company with all its obligations under the Underwriting Agreement; and
- (iv) the obligations of the Underwriter under the Underwriting Agreement becoming unconditional and the Underwriting Agreement not being terminated.

If any of the above conditions are not satisfied and/or waived, as the case may be, by the Settlement Time or such later date or dates as the Underwriter may agree with the Company in writing, the Underwriting Agreement shall terminate and the Rights Issue will not proceed.

As at the Latest Practicable Date, all the above conditions were yet to be satisfied.

UNDERWRITING AGREEMENT

1. Undertaking from existing Shareholders:

As at the Latest Practicable Date, Well Success and its wholly-owned subsidiary, Ko Shing, were together interested in 671,629,240 Shares, representing approximately 60.5% of the existing issued share capital of the Company. Well Success has irrevocably undertaken to the Company that it will subscribe, and will procure Ko Shing to subscribe, for a total of 335,814,620 Rights Shares which will be provisionally allotted to it and Ko Shing under the Rights Issue.

2. Principal terms of Underwriting Agreement:

Date	–	25th July, 2005
Underwriter	–	Well Success
Number of Rights Shares underwritten	–	Minimum: 219,086,971 Rights Shares Maximum: 256,721,995 Rights Shares
Commission	–	2.5% of the aggregate Subscription Price for the Rights Shares underwritten, which is expected to be approximately HK\$3.5 million assuming 219,086,971 Rights Shares are allotted under the Rights Issue

Well Success is an investment holding company whose ordinary business does not include underwriting of securities.

Up to the Record Date, none of the 75,270,048 Options outstanding were exercised. Therefore, the maximum number of Rights Shares to be underwritten by Well Success is 219,086,971 Rights Shares.

LETTER FROM THE BOARD

3. Termination of the Underwriting Agreement:

Well Success may terminate the Underwriting Agreement at any time prior to the Settlement Time if there occurs:

- (i) an introduction of any new law or regulation or any change in existing law or regulation (or the judicial interpretation thereof); or
- (ii) any local, national or international event or change (whether or not forming part of a series of events or changes occurring or continuing before, and/or after the date of the Underwriting Agreement) of a political, military, financial, economic or currency (including a change in the system under which the value of the Hong Kong currency is linked to the currency of the United States of America) or other nature (whether or not such are of the same nature as any of the foregoing) or of the nature of any local, national or international outbreak or escalation of hostilities or armed conflict, or affecting local securities markets; or
- (iii) any act of God, war, riot, public disorder, civil commotion, fire, flood, explosion, epidemic, terrorism, strike or lock-out; or
- (iv) any material adverse change in the financial or trading position of the Group as a whole,

and in the reasonable opinion of Well Success, such change would have a material and adverse effect on the business, financial or trading position or prospects of the Group as a whole.

If, at or prior to the Settlement Time:

- (i) the Company commits any material breach of or omits to observe any of the obligations, undertakings, representations or warranties expressed to be assumed by it under the Underwriting Agreement which breach or omission will have a material and adverse effect on its business, financial or trading position; or
- (ii) the Underwriter shall receive notification under the relevant clauses of the Underwriting Agreement of, or shall otherwise become aware of, the fact that any of the representations or warranties contained in the relevant clause of the Underwriting Agreement was, when given, untrue or inaccurate in any material respect or would be untrue or inaccurate in any material respect if repeated as provided in the relevant clause the Underwriting Agreement, and the Underwriter, in its reasonable opinion, determines that any such untrue representation or warranty represents or is likely to represent a material adverse change in the business, financial or trading position or prospects of the Group taken as a whole or is otherwise likely to have a materially prejudicial effect on the Rights Issue; or
- (iii) the Company shall, after any matter or event referred to in the relevant clause of the Underwriting Agreement has occurred or come to the Underwriter's attention, fail

LETTER FROM THE BOARD

promptly to send out any announcement or circular (after the despatch of the Prospectus Documents), in such manner (and as appropriate with such contents) as the Underwriter may reasonably request for the purpose of preventing the creation of a false market in the securities of the Company,

the Underwriter will be entitled (but not bound) by notice in writing to the Company to elect to treat such matter or event as releasing and discharging the Underwriter from its obligations under the Underwriting Agreement.

If the Underwriter terminates the Underwriting Agreement, the Rights Issue will not proceed.

4. Conditions of the Underwriting Agreement:

The obligations of the Underwriter under the Underwriting Agreement are conditional on the following conditions being fulfilled and/or waived:

- (i) the delivery to the Stock Exchange and registration by the Registrar of Companies in Hong Kong respectively on or prior to the Posting Date of one copy of each of the Prospectus Documents each duly certified in compliance with section 342C of the Companies Ordinance (and with all documents required to be attached thereto) and the delivery and filing with the Registrar of Companies in Bermuda in accordance with the requirements of the Companies Act of one copy of each of the Prospectus Documents each duly certified as required by the Companies Act and otherwise complying with the requirements of the Companies Ordinance, the Companies Act and the Listing Rules;
- (ii) the posting on the Posting Date of the Prospectus Documents to the Qualifying Shareholders;
- (iii) compliance by the Company with all its obligations under the Underwriting Agreement;
- (iv) the Listing Committee of the Stock Exchange granting listing of, and permission to deal in the Rights Shares in their nil-paid and fully-paid forms either unconditionally or subject to such conditions which the Company accepts and the satisfaction of such conditions (if any and where relevant) by no later than the dates specified in such approval and not having withdrawn or revoked such listings and permission on or before the Settlement Time;
- (v) the Shares remaining listed on the Stock Exchange at all times prior to the Settlement Time and the current listing of the Shares not having been withdrawn or the trading of the Shares not having been suspended for a consecutive period of more than 5 trading days (other than any suspension pending clearance of this announcement) and no indication being received before the Settlement Time from the Stock Exchange to the effect that such listing may be withdrawn or objected to (or conditions will or may be attached thereto) including but not limited to as a result of the Rights Issue or in connection with the terms of the Underwriting Agreement or for any other reason;
- (vi) the obligations of the Underwriter under the Underwriting Agreement not being terminated by the Underwriter; and

LETTER FROM THE BOARD

- (vii) if required, the Bermuda Monetary Authority granting its consent to the issue of the Rights Shares.

In the event that the above conditions (other than condition (iv) which cannot be waived) have not been satisfied and/or waived in whole or in part by the Underwriter on or before the Posting Date or in the event condition (iv) has not been satisfied on or before the Settlement Time, all liabilities of the parties under the Underwriting Agreement shall cease and determine and none of the parties shall have any claim against the other. In such case, the Rights Issue will not proceed.

SHAREHOLDING STRUCTURE

Set out below are the shareholding structures of the Company as at the Latest Practicable Date and immediately upon completion of the Rights Issue:

Shareholders	As at the Latest Practicable Date		Upon completion of the Rights Issue			
			Assuming no public Shareholders take up any of their entitled Rights Shares		Assuming all public Shareholders take up their entitled Rights Shares	
	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>	<i>Number of Shares</i>	<i>%</i>
Well Success	671,629,240 <i>(Note)</i>	60.5	1,226,530,831	73.7	1,007,443,860	60.5
Public Shareholders	438,173,942	39.5	438,173,942	26.3	657,260,913	39.5
Total	<u>1,109,803,182</u>	<u>100.0</u>	<u>1,664,704,773</u>	<u>100.0</u>	<u>1,664,704,773</u>	<u>100.0</u>

Note: Of the 671,629,240 Shares owned by Well Success, 111,926,000 Shares were held by Ko Shing, its wholly-owned subsidiary.

REASONS FOR THE RIGHTS ISSUE AND USE OF PROCEEDS

The Group is principally engaged in the manufacturing and the trading of footwear and property and investment holding. For the year ended 31st December, 2004, the Company achieved a turnover of approximately HK\$1,448 million, an increase of approximately HK\$264 million or 22% over previous year. The net profit attributable to Shareholders for the year ended 31st December, 2004 amounted to approximately HK\$164 million, a decrease of approximately HK\$93 million from 2003. Such decrease is attributable to a one-off gain on disposal of an investment of approximately HK\$134 million for the year ended 31st December, 2003.

With China being one of the fastest growing markets for athletic shoes and apparel, the Directors believe that growth in the Group's footwear business will remain strong. To cater for the expansion of its footwear business, the Directors intend to use about half of the estimated net proceeds of approximately HK\$345 million from the Rights Issue for expansion of the Group's production capacity, which may or may not involve acquisition and/or construction of production facilities. The remaining balance of the estimated net proceeds will be used for general working capital purposes.

LETTER FROM THE BOARD

LISTINGS AND DEALINGS

Application has been made to the Listing Committee for the listing of, and permission to deal in, the Rights Shares in their nil-paid and fully-paid forms. It is expected that dealings in the Rights Shares in their nil-paid form will commence on Thursday, 18th August, 2005 and will end on Thursday, 25th August, 2005 (both days inclusive). No securities of the Company are listed or dealt in on any other stock exchange and no application has been made or is currently proposed to be made for the Shares to be listed or dealt in on any other stock exchange.

Subject to the granting of approval for the listing of, and permission to deal in, the Rights Shares on the Stock Exchange, the Rights Shares in their nil-paid and fully-paid forms will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the respective commencement dates of dealings in the Rights Shares in their nil-paid and fully-paid forms or such other dates as may be determined by HKSCC. Settlement of transactions between participants of the Stock Exchange on any trading day is required to take place in CCASS on the second trading day thereafter. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

The Rights Shares in their nil-paid and fully-paid forms, will be traded in board lots of 2,000 shares. Dealings in the nil-paid and fully-paid Rights Shares will be subject to payment of stamp duty in Hong Kong.

Shareholders should note that the existing Shares have been dealt in on an ex-rights basis since Wednesday, 10th August, 2005. The Rights Shares in their nil-paid form will be dealt in from Thursday, 18th August, 2005 to Thursday, 25th August, 2005 (both days inclusive). If the Underwriter terminates the Underwriting Agreement, or the conditions of the Rights Issue are not fulfilled and/or waived, as the case may be, the Rights Issue will not proceed. Any Shareholder or other person contemplating selling or purchasing the existing Shares and/or the Rights Shares in their nil-paid form from Thursday, 18th August, 2005 to Thursday, 25th August, 2005 who is in any doubt about his/her/its position is recommended to consult his/her/its independent professional adviser. Any Shareholder or other person contemplating selling or purchasing the existing Shares and/or the Rights Shares in their nil-paid form up to the Settlement Time will accordingly bear the risk that the Rights Issue may not become unconditional and may not proceed.

PROCEDURES FOR ACCEPTANCE AND TRANSFER

A PAL is enclosed with this Prospectus which entitles the Qualifying Shareholder to whom it is addressed to subscribe for the number of Rights Shares shown therein. If the Qualifying Shareholders wish to accept the provisional allotment and entitlements in full as specified in the PAL, they must lodge the whole of the PAL intact with the Registrar, together with a remittance for the full amount payable on acceptance, so as to be received by no later than 4:00 p.m. on Tuesday, 30th August, 2005. This will constitute acceptance of the provisional allotment and entitlements on the terms of the PAL and this Prospectus and subject to the memorandum of association and bye-laws of the Company. **All remittances must be made in Hong Kong dollars and cheques must be drawn on a bank account with, or cashier's orders must be issued by, a licensed bank in Hong Kong and made payable to "Symphony Holdings Limited – Rights Issue" and crossed "Account Payee Only".** No receipt will be given for such remittances.

LETTER FROM THE BOARD

Shareholders should note that unless the duly completed PAL, together with the appropriate remittance, is received as described above by no later than 4:00 p.m. on Tuesday, 30th August, 2005, whether by the original allottee or any person in whose favour the rights have been validly transferred, that provisional allotment and all rights and entitlements thereunder will be deemed to have been declined and will be cancelled. The Company may (at its sole discretion) treat a PAL as valid and binding on the person(s) by whom or on whose behalf it is lodged even if not completed in accordance with the relevant instructions.

Completion and return of the PAL will constitute a warranty and representation to the Company that all registration, legal and regulatory requirements of all relevant territories other than Hong Kong in connection with the PAL and any acceptance of it have been, or will be, duly complied with.

If the Qualifying Shareholders wish to accept only part of their provisional allotment or transfer only part of their provisional allotment to one person or transfer all or part of their provisional allotment to more than one person, the original PAL must be surrendered and lodged for cancellation by no later than 4:00 p.m. on Monday, 22nd August, 2005, with the Registrar, which will cancel the original PAL and issue new PALs in the denominations required, which will be available for collection at the office of the Registrar after 9:00 a.m. on the second Business Day after the surrender of the original PAL by the Qualifying Shareholders.

All cheques and cashier's orders will be presented for payment immediately upon receipt and all interest earned on such moneys will be retained for the benefit of the Company. Completion and return of a PAL with a cheque and/or a cashier's order, whether by the Qualifying Shareholders or by any nominated transferee, will constitute a warranty by the applicant that the cheque or the cashier's order will be honoured on first presentation. Without prejudice to the other rights of the Company in respect thereof, the Company reserves the right to reject any PAL in respect of which the accompanying cheque or cashier's order is dishonoured on first presentation, and, in such event, the relevant provisional allotment and all rights and entitlement given pursuant to which will be deemed to have been declined and will be cancelled. The amount tendered for subscription, in full without interest, will be sent by ordinary post at the risk of the Qualifying Shareholders to registered addresses of the Qualifying Shareholders, or other persons entitled thereto, on or about Monday, 5th September, 2005.

The Prospectus Documents have not been and will not be registered and/or filed under any securities or equivalent legislation of any jurisdictions other than the applicable laws in Hong Kong and Bermuda. None of the Prospectus Documents has been sent to any Excluded Shareholders. Accordingly, no action has been taken to permit the Rights Issue in any territory outside Hong Kong. No person receiving a PAL or an EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for Rights Shares, unless in a territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof. Based on the register of members of the Company as at the Latest Practicable Date, there were Overseas Shareholders with registered addresses in the PRC and Malaysia. The Board has made enquiries as to whether the issue of Rights Shares to such Overseas Shareholders may contravene the applicable securities legislation of the relevant overseas places or the requirements of any relevant regulatory body or stock exchange pursuant to Rule 13.36(2)(a) of the Listing Rules. The Company has been advised by its Malaysian lawyer that the offer of the Rights Shares to Shareholders with addresses in Malaysia will require registration of the Prospectus and is subject to legal restrictions regarding offer of securities. In light of the time and costs involved, the

LETTER FROM THE BOARD

Directors have concluded that the Rights Issue would not be extended to Shareholders with addresses in Malaysia. In light of the legal restrictions involved, instead of posting the Prospectus to such Excluded Shareholders as stated in the Announcement, none of the Prospectus Documents has been sent to them. The Company has been advised by its PRC lawyer that the offer of the Right Shares do not require registration of the Prospectus in the PRC. As such, the Rights Issue has been extended to Shareholders with addresses in the PRC.

Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the Rights Shares to satisfy himself/herself/itself, before acquiring any rights to subscribe for the provisionally allotted Rights Shares, as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory in connection therewith. Any acceptance of the offer of the Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If Qualifying Shareholders are in doubt as to their positions, they should consult their own independent professional advisers. The Company reserves the right to refuse to accept any application for the Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

If the Underwriter exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled and/or waived, as the case may be, the moneys received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to the registered address or such other persons on or about Monday, 5th September, 2005.

APPLICATIONS FOR EXCESS RIGHTS SHARES

If Qualifying Shareholders wish to apply for any Rights Shares in addition to their provisional allotment, they must complete and sign the enclosed EAF and lodge it, together with a separate remittance for the amount payable on application in respect of the excess Rights Shares applied for, in accordance with the instructions printed thereon, with the Registrar, so as to be received by no later than 4:00 p.m. on Thursday, 30th August, 2005. **All remittances must be made in Hong Kong dollars, cheques must be drawn on a bank account with, or a cashier's order must be issued by, a licensed bank in Hong Kong and made payable to "Symphony Holdings Limited – Excess Application" and crossed "Account Payee Only"**. No receipt will be given for such remittances.

The Registrar will notify the Qualifying Shareholders of any allotment of excess Rights Shares made to them, which will be at the sole discretion of the Directors on a fair and equitable basis and will give preference to topping up odd lots to whole board lots.

If no excess Rights Shares are allotted to a Qualifying Shareholder, the amount tendered on application is expected to be returned to that Qualifying Shareholder in full on or about Monday, 5th September, 2005. If the number of excess Rights Shares allotted to the Qualifying Shareholders is less than that applied for, the surplus application moneys are also expected to be returned to them on or about Monday, 5th September, 2005.

LETTER FROM THE BOARD

All cheques or cashier's orders will be presented for payment immediately upon receipt and all interest earned on such moneys will be retained for the benefit of the Company. Any EAF in respect of which a cheque or cashier's order is dishonoured on first presentation is liable to be rejected. The EAF is for use only by the person(s) to whom it is addressed and is not transferable. All documents, including cheques or cashier's orders for amounts due, will be sent by ordinary post at the risk of the Qualifying Shareholders to their registered addresses on or about Monday, 5th September, 2005.

The Prospectus Documents have not been and will not be registered and/or filed under any securities or equivalent legislation of any jurisdictions other than the applicable laws in Hong Kong and Bermuda. No Prospectus Document has been sent to any Excluded Shareholders. Accordingly, no action has been taken to permit the Rights Issue in any territory outside Hong Kong. No person receiving an EAF in any territory outside Hong Kong may treat it as an offer or invitation to apply for excess Rights Shares, unless in a territory such an offer or invitation could lawfully be made without compliance with any registration or other legal and regulatory requirements thereof.

Subject as referred to below, it is the responsibility of anyone outside Hong Kong wishing to make an application for the excess Rights Shares to satisfy himself/herself/itself, before acquiring any rights to subscribe for the excess Rights Shares, as to the observance of the laws and regulations of all relevant territories, including the obtaining of any governmental or other consents and to pay any taxes, duties and other amounts required to be paid in such territory in connection therewith. Any acceptance of the offer of the excess Rights Shares by any person will be deemed to constitute a representation and warranty from such person to the Company that these local laws and requirements have been fully complied with. If Qualifying Shareholders are in doubt as to their positions, they should consult their own independent professional advisers. The Company reserves the right to refuse to accept any application for the excess Rights Shares where it believes that doing so would violate the applicable securities legislation or other laws or regulations of any jurisdiction.

If the Underwriter exercises the right to terminate the Underwriting Agreement or if the conditions of the Rights Issue are not fulfilled and/or waived, as the case may be, the moneys received in respect of acceptances of the Rights Shares will be returned to the Qualifying Shareholders or such other persons to whom the Rights Shares in their nil-paid form have been validly transferred or, in the case of joint acceptances, to the first-named person without interest, by means of cheques despatched by ordinary post at the risk of such Qualifying Shareholders to the registered address or such other persons on or about Monday, 5th September, 2005.

CERTIFICATES FOR THE RIGHTS SHARES

It is expected that certificates for the fully-paid Rights Shares will be posted by the Registrar to those entitled thereto to their registered addresses by ordinary post at their own risk on or about Monday, 5th September, 2005.

EQUITY FUND RAISING ACTIVITIES IN THE PAST TWELVE-MONTH PERIOD

The Company has not conducted any equity fund raising activities in the past twelve-month period immediately prior to the Latest Practicable Date.

LETTER FROM THE BOARD

BUSINESS REVIEW AND PROSPECTS OF THE GROUP

For the year ended 31st December, 2004, turnover increased 22.3% to HK\$1,447.9 million (2003: HK\$1,183.6 million) and profits from operations increased 38.1% to HK\$190.7 million (2003: HK\$138.0 million). Consolidated net profits for 2004 was HK\$164.2 million, as compared with HK\$256.8 million (which includes gains on disposal of the Group's interests in Converse Inc. of HK\$134.6 million) for 2003. The largest markets for the Group in 2004 were North America and Europe. With the continual strength in the global economy, footwear sales had been strong. The Group's orders to North America grew 23.0% whilst orders to Europe grew 12.2%. Sales to North America comprised 62.2% and orders to Europe comprised 22.8% of total sales.

Globally, there is a shift in popular dress code from formal dress shoes to fashionable athletic shoes and casual shoes. In addition, consumer preferences are also favouring innovative shoe designs, application of new materials, new shoe technologies, trendy colors and strong brands. As a result, the Group expects its overseas customers who are known for their casual wears to continue expanding. With the Group's focus on price competitiveness, product quality, and timely deliveries, it should be able to capture a fair share of the market for mid-price range casual wears. The Group is also attracting new customers.

Over the past few years, the Group has devoted a great deal of efforts to raise the overall productivity of its factories and to control manufacturing cost effectively. The fruit of these efforts is now reflected in the gross margins, which are in line with the top shoe factories in China. To date, the utilisation rate in all of the Group's factories has been broadly in line with available resources and the Group has no excess capacity to accommodate new demands. In view of this, the Group needs to invest in new production facilities to accommodate future demand. About half of the net proceeds from the Rights Issue will be used for expansion of the Group's production capacity, which may or may not involve acquisition and/or construction of production facilities.

ADJUSTMENT TO THE EXERCISE PRICE AND NUMBER OF SHARES SUBJECT TO THE OPTIONS

As at the Record Date, there were 75,270,048 Options outstanding. Subject to the Rights Issue becoming unconditional, the exercise price and the number of Shares subject to the Options will be adjusted. Such adjustment(s) will be set out in the announcement by the Company of the results of the Rights Issue.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this Prospectus.

Yours faithfully,
for and on behalf of the Board
Symphony Holdings Limited
Li Kwok Lung, Alfred Ronald
Chairman

1. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date and upon completion of the Rights Issue, were and will be as follows:

(i) As at the Latest Practicable Date:

<i>Authorised:</i>	<i>HK\$</i>
<u>8,000,000,000</u> Shares	<u>2,000,000,000.00</u>
<i>Issued and fully paid:</i>	
<u>1,109,803,182</u> Shares	<u>277,450,795.50</u>

(ii) Upon completion of Rights Issue:

<i>Authorised:</i>	<i>HK\$</i>
<u>8,000,000,000</u> Shares	<u>2,000,000,000.00</u>
<i>Issued and fully paid:</i>	
<u>1,109,803,182</u> Shares	<u>277,450,795.50</u>
<u>554,901,591</u> Rights Shares	<u>138,725,397.75</u>
<u>1,664,704,773</u>	<u>416,176,193.25</u>

All Shares in issue and the Rights Shares rank and will rank pari passu in all respects with each other including as regards to dividends, voting and return of capital.

The Company has not issued any Shares since 31st December, 2004 and up to the Latest Practicable Date.

As at the Latest Practicable Date, the Company had 75,270,048 Options outstanding. Save for the Options, the Company has no other outstanding convertible securities, options, or warrants in issue which confer any right to subscribe for, convert or exchange into shares as at the Latest Practicable Date.

No share or loan capital of any members of the Group has been put under option or agreed conditionally or unconditionally to be put under option and no warrant or conversion right affecting the Shares has been issued or granted or agreed conditionally, or unconditionally to be issued or granted.

No Share or loan capital of the Company has been issued or is proposed to be issued for cash or otherwise and no commissions, discounts, brokerages or other special terms have been granted in connection with the issue or sale of any such capital.

The Shares are listed on the Stock Exchange. No part of the Shares is listed or dealt in, nor is listing or permission to deal in the Shares being or proposed to be sought, on any other stock exchange.

2. THREE YEARS SUMMARY

The following information has been extracted from the audited consolidated financial statements of the Company for each of the three years ended 31st December, 2004:–

Consolidated income statements

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2002 <i>HK\$'000</i>
Turnover	1,447,851	1,183,648	939,533
Cost of sales	<u>(1,121,121)</u>	<u>(910,675)</u>	<u>(728,172)</u>
Gross profit	326,730	272,973	211,361
Other operating income	29,406	23,575	11,878
Gain on disposal of investment securities	292	2,777	247
Gain (loss) on disposal of other investments	–	18	(1,358)
Distribution costs	(60,390)	(49,490)	(26,682)
Administrative expenses	(116,886)	(83,693)	(74,508)
Other operating expenses	(20,398)	(6,861)	(6,942)
Surplus (deficit) arising on revaluation of investment properties	24,390	3,500	(15,500)
Surplus (deficit) arising on revaluation of land and buildings	7,907	1,471	(4,867)
(Impairment loss) reversal on investment securities	(259)	198	(2,110)
Loss on disposal/write-off of property, plant and equipment	<u>(135)</u>	<u>(26,454)</u>	<u>(80)</u>
Profit from operations	190,657	138,014	91,439
Interest on bank loans and overdrafts wholly repayable within five years	–	(2)	(17)
Share of results of jointly controlled entities	<u>(2,646)</u>	<u>137,232</u>	<u>4,313</u>
Profit before taxation	188,011	275,244	95,735
Income tax expense	<u>(16,807)</u>	<u>(16,100)</u>	<u>(9,075)</u>
Profit before minority interests	171,204	259,144	86,660
Minority interests	<u>(7,015)</u>	<u>(2,381)</u>	<u>53</u>
Net profit for the year	<u><u>164,189</u></u>	<u><u>256,763</u></u>	<u><u>86,713</u></u>
Dividends	<u><u>111,220</u></u>	<u><u>80,229</u></u>	<u><u>47,879</u></u>
Earnings per share			
– Basic	<u><u>14.8 cents</u></u>	<u><u>25.6 cents</u></u>	<u><u>10.4 cents</u></u>
– Diluted	<u><u>N/A</u></u>	<u><u>N/A</u></u>	<u><u>10.4 cents</u></u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Consolidated balance sheets**

	2004	2003	2002
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	291,887	253,875	143,412
Investment properties	81,509	65,000	61,500
Goodwill	57,477	2,647	–
Interest in a jointly controlled entity	69,521	1,095	43,682
Investments in securities	11,466	30,924	21,735
Deposits paid for the acquisitions of land and buildings	–	–	73,934
Deferred tax assets	5,794	2,581	277
	<u>517,654</u>	<u>356,122</u>	<u>344,540</u>
Current assets			
Inventories	236,375	155,240	107,585
Trade and other receivables	396,356	294,755	221,195
Bank balances and cash	282,534	364,792	127,013
	<u>915,265</u>	<u>814,787</u>	<u>455,793</u>
Current liabilities			
Trade and other payables	438,417	309,673	269,657
Tax payable	27,491	17,296	12,465
	<u>465,908</u>	<u>326,969</u>	<u>282,122</u>
Net current assets	<u>449,357</u>	<u>487,818</u>	<u>173,671</u>
Total assets less current liabilities	<u>967,011</u>	<u>843,940</u>	<u>518,211</u>
Minority interests	<u>26,473</u>	<u>19,312</u>	<u>5,546</u>
Non-current liabilities			
Deferred tax liabilities	9,167	4,525	–
	<u>931,371</u>	<u>820,103</u>	<u>512,665</u>
Capital and reserves			
Share capital	277,451	249,170	208,170
Reserves	653,920	570,933	304,495
	<u>931,371</u>	<u>820,103</u>	<u>512,665</u>

3. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The following are the audited consolidated income statements of the Company for each of the two years ended 31st December, 2004, the audited consolidated balance sheets of the Company as at 31st December, 2004 and 2003, the audited balance sheets of the Company as at 31st December, 2004 and 2003, the audited consolidated statements of changes in equity of the Company for each of the two years ended 31st December, 2004 and the audited consolidated cash flow statements of the Company for each of the two years ended 31st December, 2004, together with accompanying notes extracted from the 2004 annual report and accounts of the Company:–

Consolidated income statements*For the year ended 31st December*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Turnover	4	1,447,851	1,183,648
Cost of sales		<u>(1,121,121)</u>	<u>(910,675)</u>
Gross profit		326,730	272,973
Other operating income		29,406	23,575
Gain on disposal of investment securities		292	2,777
Gain on disposal of other investments		–	18
Distribution costs		(60,390)	(49,490)
Administrative expenses		(116,886)	(83,693)
Other operating expenses		(20,398)	(6,861)
Surplus arising on revaluation of investment properties		24,390	3,500
Surplus arising on revaluation of land and buildings		7,907	1,471
(Impairment loss) reversal on investment securities		(259)	198
Loss on disposal/write-off of property, plant and equipment		<u>(135)</u>	<u>(26,454)</u>
Profit from operations	5	190,657	138,014
Interest on bank loans and overdrafts wholly repayable within five years		–	(2)
Share of results of jointly controlled entities		<u>(2,646)</u>	<u>137,232</u>
Profit before taxation		188,011	275,244
Income tax expense	7	<u>(16,807)</u>	<u>(16,100)</u>
Profit before minority interests		171,204	259,144
Minority interests		<u>(7,015)</u>	<u>(2,381)</u>
Net profit for the year		<u>164,189</u>	<u>256,763</u>
Dividends	8	<u>111,220</u>	<u>80,229</u>
Earnings per share	9		
– Basic		<u>14.8 cents</u>	<u>25.6 cents</u>
– Diluted		<u>N/A</u>	<u>N/A</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Consolidated balance sheets***At 31st December*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>10</i>	291,887	253,875
Investment properties	<i>11</i>	81,509	65,000
Goodwill	<i>12</i>	57,477	2,647
Interest in a jointly controlled entity	<i>14</i>	69,521	1,095
Investments in securities	<i>15</i>	11,466	30,924
Deferred tax assets	<i>20</i>	5,794	2,581
		<u>517,654</u>	<u>356,122</u>
Current assets			
Inventories	<i>16</i>	236,375	155,240
Trade and other receivables	<i>17</i>	396,356	294,755
Bank balances and cash		282,534	364,792
		<u>915,265</u>	<u>814,787</u>
Current liabilities			
Trade and other payables	<i>19</i>	438,417	309,673
Tax payable		27,491	17,296
		<u>465,908</u>	<u>326,969</u>
Net current assets		<u>449,357</u>	<u>487,818</u>
Total assets less current liabilities		<u>967,011</u>	<u>843,940</u>
Minority interests		<u>26,473</u>	<u>19,312</u>
Non-current liabilities			
Deferred tax liabilities	<i>20</i>	9,167	4,525
		<u>931,371</u>	<u>820,103</u>
Capital and reserves			
Share capital	<i>21</i>	277,451	249,170
Reserves		653,920	570,933
		<u>931,371</u>	<u>820,103</u>

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP****Balance sheets***At 31st December*

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Non-current asset			
Investments in subsidiaries	<i>13</i>	<u>988</u>	<u>988</u>
Current assets			
Amounts due from subsidiaries	<i>18</i>	486,645	357,012
Bank balances and cash		<u>75,113</u>	<u>133,698</u>
		<u>561,758</u>	<u>490,710</u>
Current liabilities			
Other payables		<u>16,620</u>	<u>598</u>
Net current assets		<u>545,138</u>	<u>490,112</u>
		<u>546,126</u>	<u>491,100</u>
Capital and reserves			
Share capital	<i>21</i>	277,451	249,170
Reserves	<i>23</i>	<u>268,675</u>	<u>241,930</u>
		<u>546,126</u>	<u>491,100</u>

Consolidated statements of changes in equity*For the year ended 31st December*

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Revaluation reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE GROUP						
At 1st January, 2003	208,170	28,057	–	5,887	270,551	512,665
Surplus arising on revaluation of land and buildings not recognised in the consolidated income statement	–	–	12,225	–	–	12,225
Deferred tax liability in respect of revaluation of land and buildings not recognised in the consolidated income statement	–	–	(3,044)	–	–	(3,044)
Exchange realignment	–	–	–	(763)	–	(763)
Net profit for the year	–	–	–	–	256,763	256,763
Dividends paid	–	–	–	–	(55,323)	(55,323)
Shares issued at premium <i>(note 21(a))</i>	41,000	56,580	–	–	–	97,580
At 31st December, 2003	249,170	84,637	9,181	5,124	471,991	820,103
Surplus arising on revaluation of land and buildings not recognised in the consolidated income statement	–	–	15,914	–	–	15,914
Deferred tax liability in respect of revaluation of land and buildings not recognised in the consolidated income statement	–	–	(2,600)	–	–	(2,600)
Exchange realignment	–	–	–	(349)	–	(349)
Share of reserve of a jointly controlled entity	–	–	–	35	–	35
Issue of shares on bonus issue <i>(note 21(c))</i>	25,223	(25,223)	–	–	–	–
Exercise of share options	3,058	22,630	–	–	–	25,688
Net profit for the year	–	–	–	–	164,189	164,189
Dividends paid	–	–	–	–	(91,609)	(91,609)
At 31st December, 2004	<u>277,451</u>	<u>82,044</u>	<u>22,495</u>	<u>4,810</u>	<u>544,571</u>	<u>931,371</u>
Attributable to:						
– the Company and subsidiaries	277,451	82,044	22,495	4,775	552,985	939,750
– jointly controlled entity	–	–	–	35	(8,414)	(8,379)
	<u>277,451</u>	<u>82,044</u>	<u>22,495</u>	<u>4,810</u>	<u>544,571</u>	<u>931,371</u>

Consolidated cash flow statements*For the year ended 31st December*

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
OPERATING ACTIVITIES		
Profit from operations	190,657	138,014
Adjustments for:		
Interest income	(16,544)	(10,778)
Dividend income from investments in securities	(45)	(40)
Depreciation and amortisation	43,540	29,681
Loss on disposal/write-off of property, plant and equipment	135	26,454
Gain on disposal of investment securities	(292)	(2,777)
Gain on disposal of other investments	–	(18)
Surplus arising on revaluation of investment properties	(24,390)	(3,500)
Surplus arising on revaluation of land and buildings	(7,907)	(1,471)
Impairment loss (reversal) on investment securities	259	(198)
Allowance for bad and doubtful debts	14,125	3,645
Amortisation of goodwill of subsidiaries	3,179	139
	<hr/>	<hr/>
Operating cash flow before movements		
in working capital	202,717	179,151
Increase in inventories	(52,893)	(26,507)
Increase in trade and other receivables	(74,863)	(43,001)
Increase (decrease) in trade and other payables	54,819	(6,988)
	<hr/>	<hr/>
Cash generated from operations	129,780	102,655
Interest paid	–	(2)
Hong Kong Profits Tax paid	(7,066)	(10,822)
Overseas tax paid	(717)	(1,270)
	<hr/>	<hr/>
NET CASH FROM OPERATING ACTIVITIES	121,997	90,561

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

	<i>Notes</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
INVESTING ACTIVITIES			
Interest received		16,544	10,778
Dividends received from investments in securities		45	40
Dividends received from a jointly controlled entity		6,777	140,791
Proceeds from disposal of property, plant and equipment		217	537
Proceeds from disposal of investment in securities		19,767	21,114
Repayment from a jointly controlled entity		75,777	39,028
Purchases of property, plant and equipment		(41,810)	(63,443)
Loans to a jointly controlled entity		(75,777)	–
Acquisition of subsidiaries (net of cash and cash equivalents acquired)	24	(62,873)	(16,222)
Purchases of convertible bonds	14	(77,900)	–
Disposal of subsidiaries (net of cash and cash equivalents disposed)	25	(20,643)	–
Purchases of investments in securities		–	(27,327)
		<u> </u>	<u> </u>
NET CASH (USED IN) FROM INVESTING ACTIVITIES		<u>(159,876)</u>	<u>105,296</u>
FINANCING ACTIVITIES			
Dividends paid		(91,609)	(55,323)
Capital contribution from minority shareholders of a subsidiary		22,803	–
Proceeds from exercise of share options		25,688	–
Proceeds from issue of shares		–	97,580
		<u> </u>	<u> </u>
NET CASH (USED IN) FROM FINANCING ACTIVITIES		<u>(43,118)</u>	<u>42,257</u>
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		<u>(80,997)</u>	<u>238,114</u>
CASH AND CASH EQUIVALENTS BROUGHT FORWARD		<u>364,792</u>	<u>127,013</u>
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		<u>(1,261)</u>	<u>(335)</u>
CASH AND CASH EQUIVALENTS CARRIED FORWARD		<u><u>282,534</u></u>	<u><u>364,792</u></u>

Notes to the Financial Statements*For the year ended 31st December, 2004***1. GENERAL**

The Company is incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are set out in notes 31.

2. POTENTIAL IMPACT ARISING FROM THE RECENTLY ISSUED ACCOUNTING STANDARDS

In 2004, the Hong Kong Institute of Certified Public Accountants (the "HKICPA") issued a number of new or revised Hong Kong Accounting Standards and Hong Kong Financial Reporting Standards (hereinafter collectively referred to as "new HKFRSs") which are effective for accounting periods beginning on or after 1st January, 2005. The Group has not early adopted these new HKFRSs in the financial statements for the year ended 31st December, 2004.

The Group has commenced considering the potential impact of these new HKFRSs but is not yet in a position to determine whether these new HKFRSs would have a significant impact on how its results of operations and financial position are prepared and presented. These new HKFRSs may result in changes in the future as to how the results and financial position are prepared and presented.

3. SIGNIFICANT ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention, as modified for the revaluation of certain properties and investment in securities.

The financial statements have been prepared in accordance with accounting principles generally accepted in Hong Kong. The principal accounting policies adopted are as follows:

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31st December each year.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary or jointly controlled entity at the date of acquisition.

Goodwill is capitalised and amortised on a straight-line basis over its useful economic life. Goodwill arising on the acquisition of a jointly controlled entity is included within the carrying amount of the jointly controlled entity. Goodwill arising on the acquisition of subsidiaries is presented separately in the balance sheet.

Investments in subsidiaries

Investments in subsidiaries are included in the Company's balance sheet at cost less any identified impairment loss.

Joint ventures*Jointly controlled entities*

Joint venture arrangements which involve the establishment of a separate entity in which each venturer has an interest are referred to as jointly controlled entities.

The Group's interests in jointly controlled entities are included in the consolidated balance sheet at the Group's share of the net assets of the jointly controlled entities, plus the goodwill/less the negative goodwill in so far as it has not already been written off/amortised/released to income, less any identified impairment loss. The Group's share of the post-acquisition results of its jointly controlled entities is included in the consolidated income statement.

Revenue recognition

Sales of goods are recognised when goods are delivered and title has passed.

Rental income, including rental invoiced in advance from properties let under operating leases, is recognised on a straight-line basis over the period of the relevant leases.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the interest rate applicable.

Dividend income from investments is recognised when the shareholders' right to receive payment have been established.

Property, plant and equipment

Property, plant and equipment are stated at cost or valuation less accumulated depreciation and amortisation and accumulated impairment losses.

Land and buildings are stated in the balance sheet at their revalued amount, being the fair value at the date of revaluation less any subsequent accumulated depreciation and amortisation and any subsequent impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date.

Any revaluation increase arising on the revaluation of land and buildings is credited to the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A decrease in net carrying amount arising on the revaluation of an asset is dealt with as an expense to the extent that it exceeds the balance, if any, on the revaluation reserve relating to a previous revaluation of that asset. On the subsequent sale or retirement of a revalued asset, the attributable revaluation surplus is transferred to accumulated profits.

Land held for development is carried at cost, less any identified impairment loss.

Depreciation is provided to write off the cost or valuation of items of property, plant and equipment other than land held for development over their estimated useful lives and after taking into account their estimated residual value, using the straight-line method, at the following rates per annum:

Freehold land	Nil
Leasehold land or land use rights	Over the term of the lease
Buildings	2% – 5%
Leasehold improvements	9% – 45%
Plant and machinery	9% – 45%
Furniture, fixtures and equipment	9% – 20%
Motor vehicles	16% – 20%

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

In previous years, moulds were depreciated over their estimated useful life of 18% to 20% per annum. Upon a reassessment of the estimated useful lives of moulds, the Group commenced to write off the cost of moulds over 12 months and included the moulds in other receivables effective from 1st January, 2004. The change in depreciation rate has resulted in a decrease in the profit for the year ended 31st December, 2004 by approximately HK\$20,889,000.

Research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development expenditure is recognised only if it is anticipated that the development costs incurred on a clearly-defined project will be recovered through future commercial activity. The resultant asset is amortised on a straight-line basis over its useful life.

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised as an expense immediately, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Investment properties

Investment properties are completed properties which are held for their investment potential, any rental income being negotiated at arm's length.

Investment properties are stated at their open market value based on independent professional valuations at the balance sheet date. Any revaluation increase or decrease arising on the revaluation of investment properties is credited or charged to the investment property revaluation reserve unless the balance on this reserve is insufficient to cover a revaluation decrease, in which case the excess of the revaluation decrease over the balance on the investment properties revaluation reserve is charged to the income statement. Where a decrease has previously been charged to the income statement and a revaluation increase subsequently arises, this increase is credited to the income statement to the extent of the decrease previously charged.

On disposal of an investment property, the balance on the investment property revaluation reserve attributable to those properties is transferred to the income statement.

No depreciation is provided on investment properties except where the unexpired term of the relevant lease is 20 years or less.

Investments in securities

Investments in securities are recognised on a trade-date basis and are initially measured at cost.

At subsequent reporting dates, debt securities that the Group has the expressed intention and ability to hold to maturity (held-to-maturity debt securities) are measured at amortised cost, less any impairment loss recognised to reflect irrecoverable amounts. The annual amortisation of any discount or premium on the acquisition of a held-to-maturity security is aggregated with other investment income receivable over the term of the instrument so that the revenue recognised in each period represents a constant yield on the investment.

Investments other than held-to-maturity debt securities are classified as investment securities and other investments.

Investment securities, which are securities held for an identified long-term strategic purpose, are measured at subsequent reporting dates at cost, as reduced by any impairment loss that is other than temporary.

Other investments are measured at fair value, with unrealised gains and losses included in net profit or loss for the year.

A golf club membership is stated at cost less any impairment loss.

Foreign currencies

Transactions in foreign currencies are initially recorded at the rates of exchange prevailing on the dates of the transactions or at the contracted settlement rate. Monetary assets and liabilities denominated in such currencies are re-translated at the rates ruling on the balance sheet date. Profits and losses arising on exchange are included in the net profit or loss for the year.

On consolidation, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the year. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes income statement items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences, and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill (or negative goodwill) or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

Operating leases

Rental income/payments under operating leases are credited/charged to the income statement on a straight-line basis over the relevant lease term.

Retirement benefits costs

Payments to the state-managed retirement benefit schemes and the Mandatory Provident Fund Scheme are charged as an expenses as they fall due.

4. TURNOVER AND SEGMENTAL INFORMATION

Turnover represents the net amounts received and receivable by the Group for goods sold, after allowances for returns and trade discounts, to outside customers and gross rental income received and receivable from investment properties during the year.

Turnover represents the net amounts received and receivable for the followings:

	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Manufacture and sales of footwear products	1,446,393	1,182,532
Rental income	1,458	1,116
	<u>1,447,851</u>	<u>1,183,648</u>

Business segments

No business segment analysis is presented as less than 10% of the Group's turnover and contribution to results are contributed by activities other than the manufacture and marketing of footwear products.

Geographical segments

An analysis of the Group's turnover and contribution to operating results and segmental assets and liabilities by geographical segments, irrespective of the origin of the goods, is presented below:

2004

	United States of America	Canada	Europe	Asia	Australia	Others	Consolidated
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
TURNOVER	<u>807,796</u>	<u>92,165</u>	<u>329,216</u>	<u>94,697</u>	<u>38,014</u>	<u>85,963</u>	<u>1,447,851</u>
RESULTS							
Segment results	<u>117,441</u>	<u>13,399</u>	<u>47,863</u>	<u>14,667</u>	<u>5,527</u>	<u>12,498</u>	211,395
Unallocated corporate expenses							(20,738)
Profit from operations							190,657
Share of results of jointly controlled entities							(2,646)
Profit before taxation							188,011
Income tax expense							(16,807)
Profit before minority interests							171,204
Minority interests							(7,015)
Net profit for the year							<u>164,189</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
2004

	United States of America <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Australia <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS							
Segment assets	555,204	63,346	226,273	65,086	26,128	59,082	995,119
Interest in a jointly controlled entity							69,521
Deferred tax assets							5,794
Unallocated corporate assets							362,485
Consolidated total assets							1,432,919
LIABILITIES							
Segment liabilities	234,112	26,711	95,412	27,445	11,017	24,914	419,611
Tax payable							27,491
Deferred tax liabilities							9,167
Unallocated corporate liabilities							18,806
Consolidated total liabilities							475,075
OTHER INFORMATION							
Capital additions	55,692	6,354	22,697	6,529	2,621	5,926	99,819
Depreciation and amortisation	26,066	2,974	10,623	3,056	1,227	2,773	46,719
Loss on disposal/write-off of property, plant and equipment	75	9	31	9	3	8	135
Allowances for bad and doubtful debts	7,881	899	3,212	924	370	839	14,125

2003

	United States of America <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Australia <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
TURNOVER	<u>605,919</u>	<u>126,015</u>	<u>293,539</u>	<u>59,302</u>	<u>32,094</u>	<u>66,779</u>	<u>1,183,648</u>
RESULTS							
Segment results	<u>98,424</u>	<u>20,470</u>	<u>47,682</u>	<u>9,565</u>	<u>5,213</u>	<u>10,847</u>	192,201
Unallocated corporate expenses							(54,187)
Profit from operations							138,014
Interest on bank loans and overdrafts wholly repayable within five years							(2)
Share of results of a jointly controlled entity							137,232
Profit before taxation							275,244
Income tax expense							(16,100)
Profit before minority interests							259,144
Minority interests							(2,381)
Net profit for the year							<u>256,763</u>

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
2003

	United States of America <i>HK\$'000</i>	Canada <i>HK\$'000</i>	Europe <i>HK\$'000</i>	Asia <i>HK\$'000</i>	Australia <i>HK\$'000</i>	Others <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
ASSETS							
Segment assets	402,026	83,611	194,762	39,347	21,294	44,308	785,348
Interest in a jointly controlled entity							1,095
Deferred tax assets							2,581
Unallocated corporate assets							381,885
Consolidated total assets							<u>1,170,909</u>
LIABILITIES							
Segment liabilities	156,684	32,586	75,906	15,335	8,299	17,270	306,080
Tax payable							17,296
Deferred tax liabilities							4,525
Unallocated corporate liabilities							3,593
Consolidated total liabilities							<u>331,494</u>
OTHER INFORMATION							
Capital additions	71,751	14,922	34,760	7,022	3,800	7,908	140,163
Depreciation and amortisation	15,266	3,175	7,395	1,494	808	1,682	29,820
Loss on disposal/write-off of property, plant and equipment	13,542	2,816	6,560	1,325	717	1,494	26,454
Allowances for bad and doubtful debts	<u>1,866</u>	<u>388</u>	<u>904</u>	<u>98</u>	<u>183</u>	<u>206</u>	<u>3,645</u>

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

	Carrying amount of segment assets		Capital additions	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Hong Kong	484,286	350,482	7,104	5,784
The People's Republic of China (the "PRC")	463,742	385,631	92,548	134,337
Others	<u>47,091</u>	<u>49,235</u>	<u>167</u>	<u>42</u>
	<u>995,119</u>	<u>785,348</u>	<u>99,819</u>	<u>140,163</u>

5. PROFIT FROM OPERATIONS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Profit from operations has been arrived at after charging:		
Directors' remuneration (<i>note 6</i>)	4,581	4,418
Other staff costs	277,344	222,282
Retirement benefits schemes contributions, excluding directors	455	186
	<u>282,380</u>	<u>226,886</u>
Auditors' remuneration	1,304	1,080
Allowances for bad and doubtful debts	14,125	3,645
Amortisation of goodwill of subsidiaries, included in other operating expenses	3,179	139
Cost of inventories recognised as expense	761,039	638,592
Depreciation and amortisation	43,540	29,681
Net exchange loss	1,865	1,845
and after crediting:		
Dividend income from investments in securities	45	40
Gross rental income from investment properties	1,458	1,116
Less: outgoings	<u>(409)</u>	<u>(176)</u>
	1,049	940
Interest income from:		
Bank deposits	4,620	1,873
Investments in securities	1,669	1,979
Trade debtors (<i>note</i>)	8,779	6,926
Loans to a jointly controlled entity	<u>1,476</u>	<u>-</u>

Note: Interest income was received from trade debtors with extended credit terms.

6. DIRECTORS' EMOLUMENTS AND EMPLOYEES' EMOLUMENTS**A. Directors' emoluments**

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Fees:		
Executive directors	300	325
Non-executive directors	78	90
Independent non-executive directors	156	130
	<u>534</u>	<u>545</u>
Other emoluments of executive directors:		
Salaries and other benefits	3,307	3,873
Discretionary bonus	654	–
Retirement benefits schemes contributions	86	–
	<u>4,047</u>	<u>3,873</u>
Total directors' emoluments	<u><u>4,581</u></u>	<u><u>4,418</u></u>

The emoluments of the directors were within the following bands:

	2004 Number of directors	2003 Number of directors
Nil – HK\$1,000,000	8	10
HK\$1,000,001 to HK\$1,500,000	1	–
HK\$1,500,001 to HK\$2,000,000	1	2
	<u><u>1</u></u>	<u><u>2</u></u>

During the year, no emoluments were paid by the Group to the directors as an inducement to join or upon joining the Group or as a compensation for loss of office. None of the directors has waived any emoluments during the year.

B. Employees' emoluments

Of the five individuals with the highest emoluments in the Group, two (2003: two) are directors of the Company whose emoluments are disclosed in (A) above. The emoluments of the remaining three (2003: three) individuals are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Salaries and other benefits	3,423	2,942
Retirement benefits schemes contributions	36	31
	<u>3,459</u>	<u>2,973</u>

The aggregate emoluments of one (2003: one) of the employees was within the emoluments band ranging from HK\$1,500,001 to HK\$2,000,000 and the remaining two (2003: two) were within the emoluments band ranging from Nil to HK\$1,000,000.

7. INCOME TAX EXPENSE

	2004 HK\$'000	2003 HK\$'000
Current tax:		
Hong Kong		
– current year	6,077	6,316
– overprovision in prior years	(208)	(293)
Other jurisdictions		
– current year	12,005	10,886
– underprovision in prior years	104	14
	<u>17,978</u>	<u>16,923</u>
Deferred tax (note 20)		
– current year	(1,171)	(797)
– attributable to a change in tax rate	–	(26)
	<u>(1,171)</u>	<u>(823)</u>
Taxation attributable to the Company and its subsidiaries	<u>16,807</u>	<u>16,100</u>

Hong Kong Profits Tax is calculated at 17.5% (2003: 17.5%) of the estimated assessable profit for the year.

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

PRC income tax is calculated at 27% of the estimated assessable profit for both years.

Pursuant to the relevant laws and regulations in the PRC, 中山精美鞋業有限公司 (“中山精美”), Fuqing Grand Galatica Footwear Co. Ltd. (“Fuqing Grand Galatica”), 廣州番禺興泰鞋業有限公司 (“番禺興泰”) and 中山華利企業有限公司 (“中山華利”) are entitled to exemption from the PRC enterprise income tax for two years commencing from their first profit-making year of operation and thereafter, they are entitled to 50% relief from the PRC enterprise income tax for the following three years.

The tax relief of 番禺興泰 has expired and the tax rate thereafter is 27%. 中山精美 and Fuqing Grand Galatica were exempted from PRC income tax for the year.

The charge for the year can be reconciled to the profit per the income statement as follows:

	2004		2003	
	HK\$'000	%	HK\$'000	%
Profit before taxation	<u>188,011</u>		<u>275,244</u>	
Tax at Hong Kong Profits Tax rate of 17.5%	32,902	17.5	48,168	17.5
Tax effect of expenses not deductible for tax purpose	1,073	0.6	2,211	0.8
Tax effect of income not taxable for tax purpose	(2,236)	(1.2)	(3,746)	(1.4)
Tax effect of share of results of a jointly controlled entity	463	0.2	(24,016)	(8.7)
Overprovision in respect of prior year	(104)	(0.1)	(279)	(0.1)
Tax effect of deferred tax assets not recognised	1,413	0.8	(416)	(0.1)
Utilisation of deferred tax/tax losses previously not recognised	(6,288)	(3.3)	(8)	–
Effect of tax exemptions granted to certain subsidiaries	(12,927)	(6.9)	(7,591)	(2.8)
Increase in opening deferred tax asset resulting from an increase in applicable tax rate	–	–	(26)	–
Effect of different tax rates of subsidiaries operating in other jurisdictions	2,424	1.3	1,065	0.4
Others	87	–	738	0.3
Tax expense and effective tax rate for the year	<u>16,807</u>	<u>8.9</u>	<u>16,100</u>	<u>5.9</u>

In addition to the amount charged to the income statement, deferred tax relating to the revaluation of the Group's properties has been charged directly to equity (see note 20).

8. DIVIDENDS

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Ordinary shares:		
Interim, paid – HK\$0.028 per share (2003: HK\$0.02 per share)	31,074	19,934
Final, proposed – HK\$0.072 per share (2003: HK\$0.06 per share)	79,906	60,295
Underprovision in prior year	240	–
	<u>111,220</u>	<u>80,229</u>

The proposed final dividend per share has been proposed by the directors and is subject to the approval by the shareholders in a general meeting.

The underprovision represents final dividend payable to shares issued subsequent to the approval of the financial statements for the year ended 31st December, 2003 by the directors.

9. EARNINGS PER SHARE

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

	2004	2003
Earnings:		
Net profit for the year and earnings for the purposes of basic and diluted earnings per share	<u>HK\$164,189,000</u>	<u>HK\$256,763,000</u>
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<u>1,107,596,231</u>	<u>1,003,923,873</u>

For the purpose of calculating basic earnings per share, the weighted average number of ordinary shares for the year ended 31st December, 2003 had been adjusted to reflect the bonus issue as set out in note 21(c).

No diluted earnings per share for the year ended 31st December, 2004 has been presented because the exercise price of the Company's options was higher than the average market price of the shares for that year.

No diluted earnings per share for the year ended 31st December, 2003 was presented as there were no potential ordinary shares outstanding during that year.

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP
10. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Land held for develop- ment	Leasehold improve- ments	Moulds	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
THE GROUP								
COST OR VALUATION								
At 1st January, 2004	143,091	25,234	36,989	18,194	116,137	12,286	9,610	361,541
Acquisition of subsidiaries	-	-	-	-	6,166	703	887	7,756
Additions	4,015	-	7,712	-	25,837	2,270	1,976	41,810
Transfer from investment properties (note 11)	7,881	-	-	-	-	-	-	7,881
Surplus arising on revaluation	19,082	-	-	-	-	-	-	19,082
Disposals	-	-	-	-	(2,074)	(1,063)	(103)	(3,240)
Exchange realignment	623	-	1	-	8	80	67	779
At 31st December, 2004	174,692	25,234	44,702	18,194	146,074	14,276	12,437	435,609
Comprising:								
At cost	-	-	44,702	18,194	146,074	14,276	12,437	235,683
At valuation	174,692	25,234	-	-	-	-	-	199,926
	174,692	25,234	44,702	18,194	146,074	14,276	12,437	435,609
DEPRECIATION AND AMORTISATION								
At 1st January, 2004	277	25,234	17,607	1,942	51,939	6,281	4,386	107,666
Provided for the year	4,835	-	7,000	16,252	12,047	1,677	1,729	43,540
Write back on revaluation	(4,739)	-	-	-	-	-	-	(4,739)
Eliminated on disposals	-	-	-	-	(1,839)	(956)	(93)	(2,888)
Exchange realignment	23	-	-	-	7	60	53	143
At 31st December, 2004	396	25,234	24,607	18,194	62,154	7,062	6,075	143,722
NET BOOK VALUES								
At 31st December, 2004	174,296	-	20,095	-	83,920	7,214	6,362	291,887
At 31st December, 2003	142,814	-	19,382	16,252	64,198	6,005	5,224	253,875

The net book value of land and buildings shown above comprises:

	THE GROUP	
	2004	2003
	HK\$'000	HK\$'000
Land and buildings outside Hong Kong		
Freehold	9,105	8,602
Medium-term lease	102,000	108,962
Land and buildings in Hong Kong		
Medium-term lease	61,591	25,250
Long-term lease	1,600	-
	174,296	142,814

The leasehold land and buildings of the Group in Hong Kong and outside Hong Kong which were held under medium-term lease and long-term lease were valued at 31st December, 2004 by Prudential Surveyors International Limited (“Prudential”), an independent firm of professional property valuers, Chartered Surveyors, on an open market existing use basis. At 31st December, 2004, the directors had reviewed the carrying value of the Group’s freehold land and buildings with reference to the open market value. The revaluation resulted in a surplus amounting to HK\$23,821,000 of which HK\$7,907,000 has been credited directly to the consolidated income statement and HK\$15,914,000 has been credited directly to the revaluation reserve.

If land and buildings had not been revalued, they would have been included in these financial statements at historical costs less accumulated depreciation of HK\$161,814,000 (2003: HK\$164,210,000).

The land held for development represents the Group’s 68% interest in a piece of land with an area of approximately 353,333 square metres for a term of 50 years from 12th December, 1997 in Zhongshan, the PRC for the construction of factory buildings and facilities (the “Project”) thereon. During the year ended 31st December, 2001, the Group decided to suspend the Project indefinitely. In the opinion of the directors, after taking into consideration the conditions as stated in the land grant contracts and the suspension of the Project for an indefinite period of time, the recoverability of the carrying value of the land was considered to be remote. Accordingly, full provision in respect of the carrying value of the land of HK\$25,234,000 was made for the year ended 31st December, 2001. During the year, no progress in respect of the Project was made and, accordingly, no write back of the provision is considered.

11. INVESTMENT PROPERTIES

	THE GROUP <i>HK\$'000</i>
VALUATION	
At 1st January, 2004	65,000
Transfer to land and buildings (<i>note 10</i>)	(7,881)
Surplus arising on revaluation	24,390
	<hr/>
At 31st December, 2004	81,509
	<hr/> <hr/>

The investment properties are situated in Hong Kong and are held under medium term leases.

The Group’s investment properties were valued at 31st December, 2004 by Prudential on an open market existing use basis. The revaluation surplus has been credited to the income statement.

Investment properties with a total carrying value of HK\$65,800,000 at 31st December, 2004 (2003: HK\$20,500,000) are rented out under operating leases. Details of operating lease arrangements are set out in note 26. The remaining investment properties with a balance of HK\$15,709,000 at 31st December, 2004 (2003: HK\$44,500,000) were not rented out at the balance sheet date.

12. GOODWILL

	THE GROUP <i>HK\$'000</i>
COST	
At 1st January, 2004	2,786
Arising on acquisition of a subsidiary (<i>note 24</i>)	58,009
	<hr/>
At 31st December, 2004	60,795
	<hr/>
AMORTISATION	
At 1st January, 2004	(139)
Provided for the year	(3,179)
	<hr/>
At 31st December, 2004	(3,318)
	<hr/>
NET BOOK VALUE	
At 31st December, 2004	57,477
	<hr/> <hr/>
At 31st December, 2003	2,647
	<hr/> <hr/>

The amortisation period adopted for goodwill is ten years.

13. INVESTMENTS IN SUBSIDIARIES

	THE COMPANY	
	2004 HK\$'000	2003 HK\$'000
Unlisted shares, at cost	141,213	141,213
Less: impairment loss	(140,225)	(140,225)
	<u>988</u>	<u>988</u>

Details of the Company's principal subsidiaries at 31st December, 2004 are set out in note 31.

14. INTEREST IN A JOINTLY CONTROLLED ENTITY

	THE GROUP	
	2004 HK\$'000	2003 HK\$'000
Convertible bonds issued by a jointly controlled entity (note)	77,900	–
Share of net (liabilities) assets	(8,379)	1,095
	<u>69,521</u>	<u>1,095</u>

On 2nd January, 2004 and 8th June, 2004, the Group acquired 50% of the issued capital of Smart Shine Industries Limited ("Smart Shine") and Union Overseas Holdings Limited ("UOHL") at cash considerations of US\$1 and HK\$390, respectively. After the acquisition, UOHL becomes a wholly owned subsidiary of the Company.

Note: Pursuant to a subscription agreement dated 16th November, 2004 (the "Smartshine Agreement"), the Group acquired these convertible bonds issued by Smart Shine in the principal amount of US\$10,000,000, equivalent to approximately HK\$77,900,000. The bonds are unsecured, bear interest at London Interbank Offered Rate ("LIBOR") plus a margin of 1.25% per annum together with participation equally and rateably with the shareholders of Smart Shine in all distributions, assets, capital and capital gains of Smart Shine. The bonds have a maturity date on the earlier of 31st December, 2009 and the termination date of certain agreements specified in the Smartshine Agreement. The Group has the right at any time to convert all or any of the bonds into fully paid ordinary shares of US\$1.00 each in the share capital of Smart Shine at a conversion price of US\$1.00 per share.

At 31st December, 2004, the Group had interest in the following jointly controlled entity:

Name of jointly controlled entity	Place of incorporation and operation	Class of share held	Proportion of nominal value of issued capital indirectly held by the Group	Principal activity
Smart Shine	British Virgin Islands	Ordinary	50%	Investment holding

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

The following details have been extracted from the unaudited management accounts of the Group's jointly controlled entities:

	Smart Shine 2.1.2004 to 31.12.2004 <i>HK\$'000</i>	UOHL 1.1.2004 to 8.6. 2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Results for the year			
Turnover	47,019	–	–
(Loss) profit from ordinary activities before taxation	(16,828)	11,536	274,463
(Loss) profit from ordinary activities before taxation attributable to the Group	(8,414)	5,768	137,232
Financial position			
Non-current assets	4,255		–
Current assets	227,802		2,327
Non-current liabilities	(173,465)		–
Current liabilities	(75,350)		(136)
Net (liabilities) assets	(16,758)		2,191
Net (liabilities) assets attributable to the Group	(8,379)		1,095

15. INVESTMENTS IN SECURITIES

	Investment securities		Others		Total	
	2004	2003	2004	2003	2004	2003
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
The Group						
Equity securities, at cost						
Listed	2,521	2,333	–	–	2,521	2,333
Unlisted	760	760	–	–	760	760
Less: Impairment loss recognised	(1,998)	(1,936)	–	–	(1,998)	(1,936)
	<u>1,283</u>	<u>1,157</u>	<u>–</u>	<u>–</u>	<u>1,283</u>	<u>1,157</u>
Debt securities						
Listed	9,930	29,317	–	–	9,930	29,317
Less: Impairment loss recognised	(197)	–	–	–	(197)	–
	<u>9,733</u>	<u>29,317</u>	<u>–</u>	<u>–</u>	<u>9,733</u>	<u>29,317</u>
Golf club membership in the PRC, at cost	–	–	880	880	880	880
Less: Impairment loss recognised	–	–	(430)	(430)	(430)	(430)
	<u>–</u>	<u>–</u>	<u>450</u>	<u>450</u>	<u>450</u>	<u>450</u>
Total:						
Listed						
Hong Kong	20	20	–	–	20	20
Elsewhere	10,920	30,378	–	–	10,920	30,378
Unlisted	76	76	450	450	526	526
	<u>11,016</u>	<u>30,474</u>	<u>450</u>	<u>450</u>	<u>11,466</u>	<u>30,924</u>
Market value of listed securities	<u>11,069</u>	<u>30,638</u>	<u>–</u>	<u>–</u>	<u>11,069</u>	<u>30,638</u>
Carrying amount analysed for reporting purposes as:						
Current	–	–	–	–	–	–
Non-current	<u>11,016</u>	<u>30,474</u>	<u>450</u>	<u>450</u>	<u>11,466</u>	<u>30,924</u>
	<u>11,016</u>	<u>30,474</u>	<u>450</u>	<u>450</u>	<u>11,466</u>	<u>30,924</u>

16. INVENTORIES

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Raw materials	81,571	52,234
Work in progress	58,978	45,773
Finished goods	95,826	57,233
	<u>236,375</u>	<u>155,240</u>

All inventories were carried at cost at the balance sheet date.

17. TRADE AND OTHER RECEIVABLES

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

Included in trade and other receivables are trade receivables of HK\$328,375,000 (2003: HK\$268,454,000) and an aged analysis thereof is as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	163,679	153,933
31 to 60 days	65,406	33,937
61 to 90 days	22,074	36,620
Over 90 days	105,446	58,069
	<u>356,605</u>	<u>282,559</u>
Less: Allowances for bad and doubtful debts	<u>(28,230)</u>	<u>(14,105)</u>
	<u>328,375</u>	<u>268,454</u>

18. AMOUNTS DUE FROM SUBSIDIARIES

The amounts are unsecured, interest-free and have no fixed terms of repayment.

19. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of HK\$243,684,000 (2003: HK\$179,233,000) and an aged analysis thereof is as follows:

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
0 to 30 days	102,888	85,553
31 to 60 days	83,880	59,370
61 to 90 days	20,244	11,300
Over 90 days	36,672	23,010
	<u>243,684</u>	<u>179,233</u>

20. DEFERRED TAX

The Group

The following are the major deferred tax liabilities (assets) recognised by the Group and movements thereon during the current and prior reporting periods:

	Revaluation of properties <i>HK\$'000</i>	Accelerated tax depreciation <i>HK\$'000</i>	Allowance for bad and doubtful debts <i>HK\$'000</i>	Unrealised profit on inventories <i>HK\$'000</i>	Tax losses <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1st January, 2003	-	1,732	(1,728)	(221)	(60)	(277)
(Credit) charge to income	-	(270)	68	(321)	(274)	(797)
Charge to equity for the year	3,044	-	-	-	-	3,044
Effect of change in tax rate - charge (credit) to income statement	-	162	(162)	(21)	(5)	(26)
At 1st January, 2004	3,044	1,624	(1,822)	(563)	(339)	1,944
Charge (credit) to income	-	1,794	(2,211)	(310)	(444)	(1,171)
Charge to equity for the year	2,600	-	-	-	-	2,600
At 31st December, 2004	<u>5,644</u>	<u>3,418</u>	<u>(4,033)</u>	<u>(873)</u>	<u>(783)</u>	<u>3,373</u>

At 31st December, 2004, the Group had unused tax losses of HK\$28,322,000 (2003: HK\$24,976,000) available for offset against future profits. A deferred tax asset has been recognised in respect of such losses to the extent of HK\$4,476,000 (2003: HK\$1,937,000). No deferred tax asset has been recognised in respect of the remaining unused tax losses of HK\$23,846,000 (2003: HK\$23,039,000) due to the unpredictability of future profit streams.

At the balance sheet date, the Group had deductible temporary differences of HK\$3,521,000 (2003: HK\$32,452,000). No deferred tax asset has been recognised in relation to such deductible temporary difference as it is not probable that taxable profit will be available against which these deductible temporary differences can be utilised.

Temporary differences arising in connection with interests in a jointly controlled entity were insignificant for the year ended 31st December, 2003.

21. SHARE CAPITAL

	Number of shares 2004 '000	Amount 2004 <i>HK\$'000</i>
Authorised:		
At 1st January, 2003, at HK\$1.00 each	2,000,000	2,000,000
Share subdivision (<i>note b</i>)	<u>6,000,000</u>	<u>-</u>
At 31st December, 2003 and at 31st December, 2004, at HK\$0.25 each	<u>8,000,000</u>	<u>2,000,000</u>
Issued and fully paid:		
At 1st January, 2003, at HK\$1.00 each	208,170	208,170
Issue of shares on subscription (<i>note a</i>)	41,000	41,000
Share subdivision (<i>note b</i>)	<u>747,510</u>	<u>-</u>
At 31st December, 2003, at HK\$0.25 each	996,680	249,170
Exercise of share options	12,232	3,058
Issue of shares on bonus issue (<i>note c</i>)	<u>100,891</u>	<u>25,223</u>
At 31st December, 2004, at HK\$0.25 each	<u>1,109,803</u>	<u>277,451</u>

Notes:

- (a) On 27th May, 2003, the Company entered into a subscription agreement with Ko Shing Limited (the “Subscriber”) and Mr. Chang Tsung Yuan (“Mr. Chang”) (the “Subscription Agreement”). Pursuant to the Subscription Agreement, the Company agreed to issue and the Subscriber agreed to subscribe for 41,000,000 ordinary shares of HK\$1.00 each in the share capital of the Company (the “Subscription Shares”) at a price of HK\$2.38 each per Subscription Share in cash, and Mr. Chang undertook to the Company to ensure the performance by the Subscriber of its obligations under the Subscription Agreement (the “Subscription”).

The sole owner of the Subscriber is Mr. Chang, who is the chairman and director of various subsidiaries of the Company and is therefore a connected person to the Company as defined under the Rules Governing the Listing of Securities on the Stock Exchange. A special general meeting of the Company was held on 2nd July, 2003 where the shareholders of the Company passed resolutions, inter alia, approving the Subscription which was completed on 7th July, 2003. The net proceeds were used to enhance the footwear production facilities and to finance the Group’s general working capital and future expansion in related footwear business. The Subscription Shares rank pari passu with the existing shares in all respects.

- (b) Pursuant to an announcement dated 5th August, 2003 (the “Announcement”) and a circular dated 18th August, 2003 (the “Circular”), the board of directors (the “Board”) proposed that each of the existing issued and unissued shares of HK\$1.00 each in the share capital of the Company be subdivided (the “Share Subdivision”) into four shares of HK\$0.25 each in the share capital of the Company (the “Subdivided Shares”). On 14th August, 2003, being the latest practicable date for the purpose of ascertaining certain information referred to in the Circular, the authorised share capital of the Company was HK\$2,000,000,000 which was divided into 2,000,000,000 shares, of which 249,169,996 shares were in issue. Immediately following the implementation of the Share Subdivision and on the basis of 249,169,996 shares in issue, 996,679,984 Subdivided Shares were in issue. The Share Subdivision was approved by shareholders at a special general meeting on 3rd September, 2003 and became effective on 4th September, 2003.
- (c) Pursuant to a circular dated 20th April, 2004, the directors of the Company proposed to make a bonus issue of new ordinary shares of HK\$0.25 each in the capital of the Company (“Bonus Shares”) to the registered holders of the shares whose names appeared on the Company’s register at the close of business on 12th May, 2004 on the basis of one new share, credited as fully paid, for every ten shares then held (the “Bonus Issue”). The Bonus Shares credited as fully paid rank pari passu in all respects with the then existing issued shares except that they did not rank for the Bonus Issue. The directors of the Company were authorised to capitalise a sum of approximately HK\$25,223,000, being part of the amount standing to the credit of the Company’s share premium and apply such sum in paying up in full the Bonus Shares. The total number of shares in issue was increased to 1,109,803,182 after the Bonus Issue.

22. SHARE OPTIONS SCHEME

Pursuant to the share option scheme of the Company adopted on 22nd October, 2001, the Company operates the 2001 Scheme for the purpose of providing eligible participants with the opportunity to acquire proprietary interests in the Company and to encourage participants to work towards enhancing the value of the Company and its shares for the benefit of the Company and its shareholders as a whole. All directors, full-time employees and any other persons who, in the sole discretion of the board of directors, have contributed or will contribute to the Group are eligible to participate in the 2001 Scheme.

Shares which may be issued upon exercise of all options to be granted under the 2001 Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 10% of the shares of the Company in issue on the date of adoption.

The Company may renew this 10% limit with shareholders’ approval provided that each such renewal may not exceed 10% of the shares in the Company in issue as at the date of the shareholders’ approval.

The total number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2001 Scheme or any other share option scheme adopted by the Company must not exceed 30% of the shares in issue from time to time.

Unless approved by shareholders of the Company, the total number of shares of the Company issued and to be issued upon the exercise of the options granted to each participant (including both exercised and unexercised options) under the 2001 Scheme or any other share option scheme adopted by the Company in any 12-month period must not exceed 1% of the shares of the Company in issue.

The period within which the options must be exercised will be specified by the Company at the time of grant. This period must expire no later than 10 years from the date of grant of the options. At the time of grant of the options, the Company may specify a minimum period for which an option must be held before it can be exercised. The offer of a grant of share options may be accepted within 14 days from the date on which the letter containing the offer is delivered to that participant and the amount payable on acceptance of an option is HK\$1.00.

The subscription price for the shares of the Company to be issued upon exercise of the options shall be no less than the higher of (i) the closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and (iii) the nominal value of a share of the Company on the date of grant. The subscription price will be established by the board of directors at the time the option is offered to the participants.

No options may be granted under the 2001 Scheme after the date of the tenth anniversary of the adoption of the 2001 Scheme.

During the year ended 31st December, 2003, no option was granted under the 2001 Scheme. At 31st December, 2003, no share option of the 2001 Scheme was outstanding.

The following table discloses details of the 2001 Scheme held by employees (including directors) and movements in such holdings during the year ended 31st December, 2004:

Name	Date of grant	Exercisable period	Exercise price per share <i>(Note)</i>	Outstanding at 1.1.2004 <i>(Note)</i>	Number of share options			Adjustment during the year	Outstanding at 31.12.1004	
					Granted during the year	Exercised during the year	Cancelled during the year			
Category I:										
Directors	9th January, 2004	7th February, 2004-6th February, 2006	HK\$1.91	-	30,100,000	(9,000,000)	-	2,109,769	23,209,769	
Category II:										
Employees	9th January, 2004	7th February, 2004-6th February, 2006	HK\$1.91	-	51,060,000	(3,232,000)	(549,995)	4,782,274	52,060,279	
					-	81,160,000	(12,232,000)	(549,995)	6,892,043	75,270,048
					-	81,160,000	(12,232,000)	(549,995)	6,892,043	75,270,048

Note: On 12th May, 2004, the Company made a bonus issue on the basis of one new ordinary share of HK\$0.25 each in the capital of Company, credited as fully paid, for every ten shares then held as set out in note 21(c) to the financial statements. Accordingly, the exercise price and the number of share options were adjusted.

The exercise price of the share options exercised during the year was HK\$2.10 per share.

Details of closing prices of the Company's share immediately before the date of exercise of the share options under the 2001 Scheme were as follows:

Number of share options exercised	Closing price before the date of exercise <i>HK\$</i>
4,612,000	2.50
4,000,000	2.25
3,000,000	2.325
330,000	2.35
180,000	2.15
60,000	2.275
50,000	2.375
12,232,000	
12,232,000	

Total consideration received during the year from employees (including directors) for taking up the options granted is amounted to HK\$51 (2003: Nil).

The financial impact of share options granted is not recorded in the Company's or the Group's balance sheet until such time as the options are exercised, and no charge is recognised in the income statement in respect of the value of options granted in the year. Upon the exercise of the share options, the resulting shares issued are recorded by the Company as additional share capital at the nominal value of the shares, and the excess of the exercise price per share over the nominal value of the shares is recorded by the Company in the share premium account. Options which lapse or are cancelled prior to their exercise date are deleted from the register of outstanding options.

23. RESERVES

	Share premium <i>HK\$'000</i>	Contributed surplus <i>HK\$'000</i>	Accumulated profits <i>HK\$'000</i>	Total <i>HK\$'000</i>
THE COMPANY				
At 1st January, 2003	28,057	63,561	87,832	179,450
Premium arising on issue of shares	56,580	–	–	56,580
Net profit for the year	–	–	61,223	61,223
Dividends paid	–	–	(55,323)	(55,323)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2003	84,637	63,561	93,732	241,930
Issue of shares on bonus issue	(25,223)	–	–	(25,223)
Exercise of share options	22,630	–	–	22,630
Net profit for the year	–	–	120,947	120,947
Dividends paid	–	–	(91,609)	(91,609)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31st December, 2004	<u>82,044</u>	<u>63,561</u>	<u>123,070</u>	<u>268,675</u>

The contributed surplus of the Company represents the excess of the fair value of the shares of the acquired subsidiaries and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation on 9th February, 1995.

In addition to accumulated profits, under the Companies Act 1981 of Bermuda (as amended), the balance in the Company's contributed surplus and share premium accounts is also available for distribution. However, a company cannot declare or pay a dividend, or make a distribution out of contributed surplus and share premium if:

- (a) the company is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of the company's assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors of the Company, the Company's reserves available for distribution to shareholders at the balance sheet date are as follows:

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Share premium	82,044	84,637
Contributed surplus	63,561	63,561
Accumulated profits	123,070	93,732
	<hr/>	<hr/>
	<u>268,675</u>	<u>241,930</u>

24. ACQUISITION OF SUBSIDIARIES

On 8th June, 2004 and 12th July, 2004, the Group acquired additional 50% of the issued capital of UOHL and the entire interest in Misto Worldwide Limited and its subsidiaries for considerations of HK\$390 and HK\$70,961,000, respectively. These acquisitions have been accounted for using the acquisition method of accounting. The amount of goodwill arising as a result of the acquisitions was approximately HK\$58,009,000.

On 1st July, 2003, the Group acquired 80% of the issued share capital of Nice Well Holdings Limited (“Nice Well”) and its subsidiary for a consideration of HK\$20,474,000. That acquisition was accounted for using the acquisition method of accounting. The amount of goodwill arising as a result of that acquisition was HK\$2,786,000.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net assets acquired:		
Property, plant and equipment	7,756	16,473
Inventories	28,242	21,148
Trade and other receivables	43,018	34,204
Bank balances and cash	8,088	4,252
Trade and other payables	(74,066)	(47,004)
Minority interests	–	(11,385)
	<u>13,038</u>	<u>17,688</u>
Net assets	13,038	17,688
Goodwill arising on acquisition (<i>note 12</i>)	58,009	2,786
	<u>71,047</u>	<u>20,474</u>
Total consideration	<u>71,047</u>	<u>20,474</u>
Satisfied by:		
Reclassified from interest in a jointly controlled entity	86	–
Cash	70,961	20,474
	<u>71,047</u>	<u>20,474</u>
Net cash outflow arising on acquisition:		
Cash consideration paid	70,961	20,474
Bank balances and cash acquired	(8,088)	(4,252)
	<u>62,873</u>	<u>16,222</u>
Net outflow of cash and cash equivalents in respect of the purchase of subsidiaries	<u>62,873</u>	<u>16,222</u>

The subsidiaries acquired during the year contributed approximately HK\$107,045,000 (2003: HK\$136,429,000) to the Group’s turnover and approximately HK\$18,133,000 (2003: HK\$12,159,000) to the Group’s profit from operations.

25. DISPOSAL OF SUBSIDIARIES

On 9th June, 2004, the Group disposed of its entire interest in certain subsidiaries, Muspole International Limited (“Muspole”) and its subsidiaries for a consideration of HK\$36,828,000 to Smart Shine.

On 1st July, 2004, the Group disposed of its entire interest in Symphony Marketing Limited for a consideration of HK\$18,000.

	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Net assets disposed of:		
Trade and other receivables	2,155	–
Bank balances and cash	57,489	–
Trade and other payables	(141)	–
Minority interests	(22,657)	–
	<u>36,846</u>	<u>–</u>
Net assets and total consideration	<u>36,846</u>	<u>–</u>
Net cash outflow arising on disposal:		
Cash consideration	36,846	–
Bank balances and cash disposed	(57,489)	–
	<u>(20,643)</u>	<u>–</u>

The subsidiaries disposed of during the year did not made any significant contribution to the results and cashflows of the Group.

26. OPERATING LEASE COMMITMENTS**The Group as lessee**

Minimum leases payments paid under operating leases for land and buildings during the year was HK\$18,758,000 (2003: HK\$12,505,000).

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

	THE GROUP	
	2004 <i>HK\$'000</i>	2003 <i>HK\$'000</i>
Within one year	18,597	14,707
In the second to fifth year inclusive	55,571	51,104
After five years	6,169	12,864
	<u>80,337</u>	<u>78,675</u>

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

At 31st December, 2004, the Company had no operating lease commitment (2003: Nil).

The Group as lessor

Property rental income earned during the year was approximately HK\$1,458,000 (2003: HK\$1,116,000). Certain of the Group’s properties are held for rental purposes and are expected to generate rental yields of 2% (2003: 5%) on an ongoing basis. The properties held for rental purposes have committed tenants for the next one to two years.

APPENDIX I**FINANCIAL INFORMATION ON THE GROUP**

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

	THE GROUP	
	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within one year	990	1,424
In the second to fifth year inclusive	75	1,065
	1,065	2,489
	1,065	2,489

27. CAPITAL COMMITMENTS

	THE GROUP		THE COMPANY	
	2004	2003	2004	2003
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital expenditure in respect of:				
– the acquisition of property, plant and equipment	7,233	–	–	–
– investments in subsidiaries in the PRC	–	–	11,685	93,600
– leasehold improvements of land and buildings	–	39	–	–
	7,233	39	11,685	93,600
	7,233	39	11,685	93,600

28. CONTINGENT LIABILITIES

At 31st December, 2004, the Group and the Company have made revolving stand-by letters of credit facilities amounting to HK\$30,000,000 to a subsidiary of a jointly-controlled entity, of which HK\$16,000,000 was utilized as at 31st December 2004. (2003: nil)

At 31st December, 2004, this company provided a collateral in the form of cash amounted to HK\$16,000,000.

In addition, at 31st December, 2004, the Company had outstanding corporate guarantees amounting to HK\$78,000,000 (2003: HK\$39,000,000) issued in favour of a bank to secure general banking facilities granted to the Company and certain of its subsidiaries.

At 31st December, 2003, the Group did not have significant contingent liabilities.

29. RETIREMENT BENEFITS SCHEME

The Group operates a Mandatory Provident Fund Scheme (the “MPF Scheme”) for all its qualifying employees in Hong Kong. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the MPF Scheme, which contribution is matched by employees.

The Company’s subsidiaries in the PRC are members of the state-managed retirement benefits scheme operated by the government of the PRC. The retirement scheme contributions, which are based on a certain percentage of the salaries of the relevant subsidiaries’ employees, are charged to the income statement in the period to which they relate and represent the amount of contributions payable by these subsidiaries to the scheme.

30. RELATED PARTY TRANSACTIONS

- (a) During the year, loans of approximately HK\$75,777,000 were granted to Smart Shine. A portion of these loans to the extent of HK\$38,949,000 was unsecured and bore interest at a rate of 6.4363% per annum from 12th May, 2004 to 30th June, 2004 and at LIBOR plus 2% per annum thereafter. The balance of the loans was unsecured and interest-free. All the loans were fully repaid during the year and the amount of interest the Group received from Smart Shine amounted to HK\$936,000.
- (b) On 9th June, 2004, the Group disposed of the entire interest in Muspole to Smart Shine as set out in note 25.
- (c) On 16th November, 2004, the Group acquired convertible bonds issued by Smart Shine in the principal amount of US\$10,000,000, equivalent to HK\$77,900,000 as set out in note 14.
- (d) The Company has made banking facilities in respect of revolving stand-by letters of credit amounting to HK\$30,000,000 to a subsidiary of Smart Shine. The extent of such facilities utilised at 31st December, 2004 amounted to HK\$16,000,000.

At 31st December, 2004, this company provided a collateral in the form of cash amounting to HK\$16,000,000.

- (e) On 27th May, 2003, the Company entered into a subscription agreement with Ko Shing Limited and Mr. Chang Tsung Yuan (“Mr. Chang”) for the subscription by Ko Shing Limited of 41,000,000 new ordinary shares of HK\$1.00 each in the share capital of the Company (“Subscription Share(s)”) for a subscription price of HK\$2.38 per Subscription Share. The subscription price represented a discount of approximately 23.23% to HK\$3.10 per share, being the last traded price per share immediately before trading in the shares was suspended at the request of the Company with effect from 2:30pm on 27th May, 2003.

Ko Shing Limited is wholly beneficially owned by Mr. Chang who is a chairman and director of various subsidiaries of the Company and is therefore a connected person to the Company.

31. PARTICULARS OF PRINCIPAL SUBSIDIARIES

Details of the Company’s principal subsidiaries at 31st December, 2004 are as follows:

Name of subsidiary	Place of incorporation/ registration/ and operations	Paid up issued/ registered share capital	Proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Canray Int’l Limited	British Virgin Islands	Ordinary US\$1	–	100%	Footwear trading
Cashmaster Profits Limited	British Virgin Islands	Ordinary US\$1	–	100%	Footwear trading
Chi Yuen Developments Limited	British Virgin Islands/PRC	Ordinary US\$1	–	100%	Footwear manufacturing
Cosmo Group Holdings Limited	British Virgin Islands	Ordinary US\$10,000	100%	–	Investment holding
Continuance Enterprises Limited	British Virgin Islands	Ordinary US\$1	–	100%	Investment holding
廣州番禺興泰鞋業有限公司	PRC (Co-operative joint venture)	Registered capital RMB68,260,876	–	92.78%	Footwear manufacturing
Fuqing Grand Galatica	PRC (Wholly foreign owned enterprise)	Registered capital US\$700,000	–	100%	Footwear manufacturing

APPENDIX I
FINANCIAL INFORMATION ON THE GROUP

Name of subsidiary	Place of incorporation/ registration and operations	Paid up issued/ registered share capital	Proportion of nominal value of issued/ registered capital held by the Company		Principal activities
			Directly	Indirectly	
Holey Trading Limited	Hong Kong	Ordinary HK\$2	–	100%	Footwear trading
Liang Shing Industries Limited	Hong Kong	Ordinary HK\$72,000 Non-voting deferred (<i>note i</i>) HK\$1,428,000	–	100%	Provision of management services
Liang Shing Industries (HK) Limited	Hong Kong	Ordinary HK\$10,000	–	100%	Footwear marketing and trading
Lucky Port Trading Limited	Hong Kong	Ordinary US\$2	–	100%	Footwear marketing and trading
Misto Worldwide Limited	British Virgin Islands	Ordinary US\$1	–	100%	Investment holding
Nice Well Holdings Limited	British Virgin Islands	Ordinary US\$50,000	–	80%	Investment holding
Power Plus Limited	British Virgin Islands	Ordinary US\$1	–	100%	Investment holding
Sunrise Footwear Limited	Macau	MOP1,000,000	–	100%	Footwear manufacturing
Takson Asia Limited	Hong Kong	Ordinary HK\$10,000	–	100%	Footwear purchasing
Uprise Group Limited	British Virgin Islands	Ordinary US\$50,000	–	80%	Footwear manufacturing
Zenith Billion Trading Limited	Hong Kong	Ordinary HK\$2	–	100%	Footwear trading
中山精美鞋業有限公司	PRC (Wholly foreign owned enterprise)	Registered capital US\$21,500,000	–	100%	Footwear manufacturing
中山華利企業有限公司	PRC (Wholly foreign owned enterprise)	Registered capital US\$2,500,000 (<i>note ii</i>)	–	100%	Footwear manufacturing

Notes:

- (i) The holders of the non-voting deferred shares are not entitled to vote, are not entitled to any dividend and are, on a winding-up, only entitled out of the surplus assets of the Company, to a return of the capital after a total sum of HK\$100,000,000,000,000 has been distributed to the holders of the ordinary shares of the Company.
- (ii) As at 31st December, 2004, the capital of 中山華利 was paid up to US\$1,000,000.

None of the subsidiaries had issued any debt securities at the end of the year or at any time during the year.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

4. INDEBTEDNESS

Borrowings

As at the close of business on 30th June, 2005 (being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Prospectus), the Group had total outstanding unsecured short-term bank borrowings of approximately HK\$77,700,000 and amount due to a subsidiary of a jointly-controlled entity (the "JCE") of HK\$16,000,000.

In July, 2005, the unsecured short-term bank borrowings of approximately HK\$77,700,000 were fully repaid.

Contingent liabilities

As at 30th June, 2005, the Group had contingent liabilities in respect of revolving stand-by letters of credit facilities amounting to approximately HK\$30,000,000 granted to the Company by bank. The purpose of the facilities is to support the granting of a Renminbi loan from the same bank to the above-mentioned subsidiary of the JCE, of which HK\$16,000,000 was utilised as at 30th June 2005.

As at 30th June, 2005, another subsidiary of the JCE placed HK\$16,000,000 in the Group as collateral for the above facilities.

Save as aforesaid or as otherwise disclosed herein and apart from intra-group liabilities, none of the companies in the Group had any loan capital issued and outstanding or agreed to be issued, any bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, obligations under finance leases or hire purchases, guarantees or other material contingent liabilities as at the close of business on 30th June, 2005.

The Directors have confirmed that as at the Latest Practicable Date, save as disclosed above, there had not been any material change in the indebtedness and contingent liabilities of the Group since 30th June, 2005.

5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31st December, 2004, the date to which the latest audited financial statements of the Company were made up.

6. WORKING CAPITAL

The Directors are of the opinion that, taking into account the present available banking facilities and financial resources of the Group and the estimated net proceeds from the Rights Issue, the Group has sufficient working capital for its present requirements in the absence of any unforeseen circumstances.

UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

The unaudited pro forma financial information prepared in accordance with Rule 4.29 of the Listing Rules is set out below to illustrate the effect of the Rights Issue on the net tangible assets of the Group as if the Rights Issue had taken place on 31st December, 2004.

The pro forma financial information has been prepared for illustrative purposes only, and because of its nature, it may not give a true picture of the financial position of the Group following the Rights Issue.

The following statement of unaudited pro forma adjusted consolidated net tangible assets of the Group has been prepared based on the audited consolidated net tangible assets of the Group as at 31st December, 2004 as set out in Appendix I to this Prospectus and adjusted to reflect the effect of the Rights Issue:–

	As at 31st December, 2004	Estimated net proceeds from the Rights Issue	Pro forma
	<i>HK\$'000</i> <i>(Note 1)</i>	<i>HK\$'000</i> <i>(Note 2)</i>	<i>HK\$'000</i>
Net tangible assets	<u>873,894</u>	<u>345,000</u>	<u>1,218,894</u>
Audited consolidated net tangible asset value per Share as at 31st December, 2004 based on 1,109,803,182 Shares in issue			<u>HK\$0.79</u>
Unaudited pro forma adjusted consolidated net tangible asset value per Share immediately following completion of the Rights Issue based on 1,664,704,773 Shares to be in issue following completion of the Rights Issue			<u>HK\$0.73</u>

Notes:

- (1) The audited consolidated net tangible assets of the Group as at 31st December, 2004 is calculated as follows:
- | | |
|---|-----------------|
| | <i>HK\$'000</i> |
| Audited share capital and reserves of the Group as at 31st December, 2004 | 931,371 |
| <i>Less: goodwill</i> | <u>(57,477)</u> |
| Audited consolidated net tangible assets of the Group as at 31st December, 2004 | <u>873,894</u> |
- (2) The estimated net proceeds from the Right Issue are based on 554,901,591 Rights Shares to be allotted at the Subscription Price of HK\$0.63 each under the Rights Issue and after deducting expenses including underwriting commission, professional fees, printing charges and sundry expenses.

REPORT ON UNAUDITED PRO FORMA STATEMENT OF ADJUSTED CONSOLIDATED NET TANGIBLE ASSETS OF THE GROUP

Set out below is the text of a letter in connection with the Rights Issue received from the reporting accountants of the Group, Deloitte Touche Tohmatsu, which has been prepared for the purpose of incorporation in this Prospectus:–

16th August, 2005

The Board of Directors
Symphony Holdings Limited
10/F., Island Place Tower
510 King's Road
North Point
Hong Kong

Dear Sirs,

We report on the pro forma financial information of Symphony Holdings Limited (the “Company”) and its subsidiaries (hereinafter collectively referred to as the “Group”) set out on page 56 of Appendix II to the prospectus dated 16th August, 2005 (the “Prospectus”) in connection with the rights issue of 554,901,591 rights shares at a subscription price of HK\$0.63 each in the proportion of one rights share for every two existing shares held (the “Rights Issue”), which has been prepared, for illustrative purposes only, to provide information about how the Rights Issue might have affected the financial information presented.

Responsibilities

It is the responsibility solely of the directors of the Company to prepare the pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”).

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our work with reference to the Statements of Investment Circular Reporting Standards and Bulletin 1998/8 “Reporting on pro forma financial information pursuant to the listing rules” issued by the Auditing Practices Board in the United Kingdom, where applicable. Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the pro forma financial information with the directors of the Company.

Our work does not constitute an audit or a review 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 accordingly we do not express any such assurance on the pro forma financial information.

The pro forma financial information has been prepared on the basis set out on page 56 of Appendix II to the Prospectus for illustrative purpose only and, because of its nature, it may not give an indicative financial position of the Group as at 31st December, 2004 or at any future date.

Opinion

In our opinion:

- (a) the pro forma financial information has been properly compiled on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

Your faithfully,
Deloitte Touche Tohmatsu

1. RESPONSIBILITY STATEMENT

This Prospectus includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus, and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS

The brief biographies of the Directors are set out below:

Executive Directors

Mr. Li Kwok Lung, Alfred Ronald, aged 52, joined the Group in 1997 and has been the Chairman of the Company since June 2002. He is also the Chairman of SPS Group, a Hong Kong based financial services group and Exchange Participant of the Stock Exchange and Hong Kong Futures Exchange Limited. Mr. Li is a consultant to the Hong Kong law firm, Messrs. Iu, Lai & Li. Mr. Li is a director of Well Success. Well Success is a substantial shareholder of the Company under the SFO.

Mr. Sze Sun Sun, Tony, aged 53, joined the Group in 1997 and is the current Deputy Chairman and Managing Director of the Company. Mr. Sze has over 25 years of experience in investment and property development in Hong Kong, mainland China and overseas markets. He is a director of each of Alexon International Limited, First Dynamic International Limited and Well Success. All the three companies are deemed or direct substantial shareholders of the Company under the SFO.

Mr. Chang Tsung Yuan, aged 57, is the Deputy Chairman and executive Director of the Company. He joined the Group at its inception in 1990. He is the President of the manufacturing division of the Company and its subsidiaries. Mr. Chang has over 30 years of experience and knowledge in the footwear manufacturing industry. He is a director of Ko Shing. Ko Shing is a substantial shareholder of the Company under the SFO.

Mr. Ku Edward Y., aged 62, joined the Group in 2002 as an executive Director. He was previously the senior partner of the law firm, Ku & Fong, in Los Angeles and is licensed to practice law in California and Taiwan. He served as an executive Director of First Public Bank in Los Angeles. He is also an executive director of Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”), a company engaged in shoe manufacturing which is listed on the Stock Exchange (Stock code: 0551). Yue Yuen is deemed as a substantial Shareholder of the Company under the SFO. Mr. Ku holds a Bachelor-in-Law degree from National Taiwan University and received his J.D. degree from Washington University in St. Louis, United States.

Mr. Chan Lu Min, aged 51, joined the Group in 2002 as an executive Director. He is also an executive director of Yue Yuen. Mr. Chan graduated from the Chung Hsing University in Taiwan and possesses 26 years of finance and accounting experience.

Non-executive Directors

Mr. Li I Nan, aged 63, joined the Group in 2002 as a non-executive Director. He has many years of experience in the footwear business including sourcing and wholesale operations. He is an executive director of Yue Yuen, a company engaged in shoe manufacturing. Mr. Li holds a Bachelor and a Master of Arts degree from National Chengchi University in Taiwan and the University of Southern California respectively.

Mr. Chan Ting Chuen, aged 57, joined the Group in 1997. He is currently a non-executive Director of the Company. Mr. Chan graduated with a Bachelor's degree in civil engineering from the University of Hong Kong. He is an independent non-executive director of Wing Shan International Limited, a company listed on the Stock Exchange (Stock code: 0570). Mr. Chan is also a director of each of Royal Pacific Limited, First Dynamic International Limited and Well Success. All the three companies are deemed or direct substantial shareholders of the Company under the SFO.

Independent non-executive Directors

Mr. Cheng Kar Shing, aged 52, was appointed as an independent non-executive Director in 1997. He holds a Master's degree in engineering from the University of California in Los Angeles. He has been a director of NWD (Hotels Investments) Limited since 1984 and a director of New World Development Company Limited ("New World Development") since 1994. New World Development is a company listed on the Stock Exchange (Stock code: 0017). He is also a director of New World China Land Limited, a company listed on the Stock Exchange (Stock code: 0917) and a director of Chow Tai Fook Enterprises Limited.

Mr. Feng Lei Ming, aged 47, was appointed as an independent non-executive Director in 2003. He graduated with a MBA in finance from the University of Memphis, Tennessee, USA. Mr. Feng has over 10 years of experience in the Hong Kong securities industry and is a registered securities dealer and investment advisor with the SFC of Hong Kong. He is currently the President of Taiwan Securities (HK) Co., Ltd., and has many years of managerial experience in several big securities companies in Hong Kong. He was responsible for sales planning at National Electric Appliance Corp. and A.C. Nielsen in Taiwan before he started to work in Hong Kong in 1994.

Mr. Ho Shing Chak, aged 45, a certified public accountant in Hong Kong, was appointed as an independent non-executive Director in 2004. He graduated from the Chinese University of Hong Kong with a Bachelors degree in business administration and holds a Bachelor of Laws degree from the Peking University. He previously worked for a reputable international accounting firm and is currently running his own business. He is a fellow member of the Association of Chartered Certified Accountants. He is also an associate of the Hong Kong Institute of Certified Public Accountants.

3. PARTIES INVOLVED IN THE RIGHTS ISSUE AND CORPORATE INFORMATION

Registered office	Clarendon House 2 Church Street Hamilton HM11 Bermuda
Head office and principal place of business in Hong Kong	10th Floor Island Place Tower 510 King's Road North Point Hong Kong
Financial adviser	Somerley Limited Suite 2201, 22nd Floor Two International Finance Centre 8 Finance Street Central Hong Kong
Underwriter	Well Success Investment Limited East Asia Chambers P.O. Box 901 Road Town Tortola British Virgin Islands
Legal adviser	<i>On Hong Kong Law</i> Richards Butler 20th Floor, Alexandra House 16-20 Chater Road Central Hong Kong
Auditors	Deloitte Touche Tohmatsu, <i>Certified Public Accountants</i> 26th Floor, Wing On Centre 111 Connaught Road Central Hong Kong
Principal bankers	Calyon Industrial and Commercial Bank of China (Asia) Limited Citibank, N.A. Liu Chong Hing Bank Limited The Bank of East Asia Ltd. The Hongkong and Shanghai Banking Corporation Limited

Hong Kong branch share registrar and transfer office	Tengis Limited Ground Floor, Bank of East Asia Harbour View Centre 56 Gloucester Road Wanchai, Hong Kong
Principal share registrar and transfer office	The Bank of Bermuda Limited 6 Front Street Hamilton HM11 Bermuda
Authorised representatives	Li Kwok Lung, Alfred Ronald Chow So Ying, Anna
Company secretary	Chow So Ying, Anna, Solicitor, <i>HKSAR</i>
Qualified accountant	Lam Lap Wai, <i>FCCA, FHKICPA</i>

4. DISCLOSURE OF INTERESTS

(A) Interests of Directors and Chief Executive

- (a) As at the Latest Practicable Date, the interests and short positions of the Directors and the Company's chief executive in the shares, underlying shares and debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO), the Model Code for Securities Transactions by Directors of Listed Companies and which were required to be entered in the register required to be kept under section 352 of the SFO were as follows:–

Name of director	Beneficial owner	Number of Shares held			Total	Percentage of the issued share capital of the Company
		Held by controlled corporation	Deeming interest by virtue of section 317 SFO			
Chan Ting Chuen (<i>Note</i>)	6,600,000	671,629,240	–	678,229,240	61.1%	
Sze Sun Sun, Tony (<i>Note</i>)	6,599,934	671,629,240	–	678,229,174	61.1%	
Chang Tsung Yuan (<i>Note</i>)	9,679,903	–	111,926,000	121,605,903	11%	
Li Kwok Lung, Alfred Ronald	12,659,945	–	–	12,659,945	1.14%	

Note:

Well Success had a direct interest in 559,703,240 Shares and was deemed to be interested in the 111,926,000 Shares held by Ko Shing by virtue of section 317 of the SFO with regards to the subscription agreement entered into between the Company, Ko Shing and Mr. Chang Tsung Yuan ("Mr. Chang") on 27th May, 2003.

First Dynamic International Limited ("First Dynamic") held more than one-third of the issued share capital of Well Success. Royal Pacific Limited ("Royal Pacific") held more than one-third of the issued share capital of First Dynamic. Mr. Chan Ting Chuen was interested in the entire issued share capital of Royal Pacific and was deemed to be interested in 671,629,240 Shares.

Alexon International Limited ("Alexon International") held more than one-third of the issued share capital of First Dynamic. Mr. Sze Sun Sun, Tony was interested in the entire issued share capital of Alexon International and was deemed to be interested in 671,629,240 Shares.

Name of Director	Number of Options outstanding (<i>Note</i>)	Number of underlying issued Shares	Exercise price HK\$
Chan Ting Chuen	–	–	1.91
Chan Lu Min	10,449,896	10,449,896	1.91
Cheng Kar Shing	329,997	329,997	1.91
Chang Tsung Yuan	9,679,903	9,679,903	1.91
Feng Lei Ming	329,997	329,997	1.91
Li Kwok Lung, Alfred Ronald	5,499,945	5,499,945	1.91
Sze Sun Sun, Tony	6,599,934	6,599,934	1.91
	<u>32,889,672</u>	<u>32,889,672</u>	

Note: The exercisable period of the Options outstanding is between 7th February, 2004 to 6th February, 2006.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the Company's chief executive, had, under Divisions 7 and 8 of Part XV of the SFO, nor were they taken to or deemed to have under such provisions of the SFO, any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) or any interests which are required to be entered into the register kept by the Company pursuant to section 352 of the SFO or any interests which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies in the Listing Rules.

- (b) As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31st December, 2004 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group; and
- (c) As at the Latest Practicable Date, save for the Underwriting Agreement, none of the Directors were materially interested in any contract or arrangement which was significant in relation to the business of the Group taken as a whole.

(B) Substantial Shareholders

So far as is known to any director or chief executive of the Company, as at the Latest Practicable Date, the persons or companies (not being a director or chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO were as follows:—

(a) Long positions

Name of Shareholder	Notes	Capacity	Number of Shares held		Percentage of the issued share capital of the Company
			Direct interests	Deemed interests	
Well Success	<i>1</i>	Beneficial owner	559,703,240	111,926,000	60.5%
First Dynamic	<i>1</i>	Held by controlled corporation	–	671,629,240	60.5%
Alexon International	<i>1</i>	Held by controlled corporation	–	671,629,240	60.5%
Royal Pacific	<i>1</i>	Held by controlled corporation	–	671,629,240	60.5%

APPENDIX III
GENERAL INFORMATION

Name of Shareholder	Notes	Capacity	Number of Shares held		Percentage of the issued share capital of the Company
			Direct interests	Deemed interests	
Frensham Investments Limited (“Frensham”)	2	Held by controlled corporation	–	671,629,240	60.5%
Pou Yuen Industrial (Holdings) Limited (“Pou Yuen (Holdings)”)	2	Held by controlled corporation	–	671,629,240	60.5%
Yue Yuen Industrial Limited (“Yue Yuen Industrial”)	2	Held by controlled corporation	–	671,629,240	60.5%
Pou Hing Industrial Company Limited (“Pou Hing Company”)	2	Held by controlled corporation	–	671,629,240	60.5%
Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”)	2	Held by controlled corporation	–	671,629,240	60.5%
Wealthplus Holdings Limited (“Wealthplus”)	2	Held by controlled corporation	–	671,629,240	60.5%
Pou Chen Corporation (“Pou Chen”)	2	Held by controlled corporation	–	671,629,240	60.5%
Madam Lau Yuk Wah	3	Held by controlled corporation	–	678,229,174	61.1%
Madam Ng Shuk Fong	3	Held by controlled corporation	–	678,229,240	61.1%
Ko Shing Limited	4	Beneficial owner	111,926,000	–	10.08%
Mr. Chang Tsung Yuan (“Mr. Chang”)	4	Held by controlled corporation	–	111,926,000	10.08%
Madam Chou Mei Yueh	4	Held by controlled corporation	–	111,926,000	10.08%
Government of Singapore Investment Corporation Pte. Ltd.		Investment manager	56,306,000	–	5.07%
Chartered Asset Management Pte. Ltd.		Investment manager	67,252,000	–	6.06%

(b) Short positions

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at the Latest Practicable Date.

Notes:

1. Well Success was directly interested in 559,703,240 Shares and deemed to be interested in 111,926,000 Shares held by Ko Shing pursuant to section 317 of the SFO with regards to the subscription agreement entered into among the Company, Ko Shing and Mr. Chang on 27th May, 2003.

First Dynamic held more than one-third of the issued share capital of Well Success. Royal Pacific and Alexon each held more than one-third of the issued share capital of First Dynamic.

Accordingly, Well Success, First Dynamic, Royal Pacific and Alexon were deemed to be interested in 671,629,240 Shares.

2. Frensham held more than one-third of the issued share capital of Well Success. Frensham was a wholly-owned subsidiary of Pou Yuen (Holdings) which in turn was a wholly-owned subsidiary of Yue Yuen Industrial. Yue Yuen Industrial was a wholly-owned subsidiary of Pou Hing Company which in turn was a wholly-owned subsidiary of Yue Yuen. Wealthplus, a wholly-owned subsidiary of Pou Chen, held over 35% interests in Yue Yuen.

Accordingly, Frensham, Pou Yuen (Holdings), Yue Yuen Industrial, Pou Hing Company, Yue Yuen, Wealthplus and Pou Chen were deemed to be interested in 671,629,240 Shares.

3. Madam Lau Yuk Wah is the wife of Mr. Sze Sun Sun, Tony and was deemed to be interested in 678,229,174 Shares. Madam Ng Shuk Fong is the wife of Mr. Chan Ting Chuen and was deemed to be interested in 678,229,240 Shares.

4. Ko Shing had a direct interest in 111,926,000 Shares. Mr. Chang was interested in the entire issued share capital of Ko Shing and was deemed to be interested in the 111,926,000 Shares of the Company. Madam Chou Mei Yueh is the wife of Mr. Chang and was deemed to be interested in 111,926,000 shares of the Company.

Save as disclosed herein, the Directors are not aware of any person who was, as at the Latest Practicable Date, directly or indirectly, interested or had short position in the Shares or underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or, was directly or indirectly, interested in 10% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of the Company or any options in respect of such capital.

5. EXPERT AND CONSENT

Deloitte Touche Tohmatsu, a firm of Certified Public Accountants, has given and has not withdrawn its written consent to the issue of this Prospectus with the inclusion of its letter as set out in this Prospectus and references to its name in the form and context in which they appear respectively.

As at the Latest Practicable Date, Deloitte Touche Tohmatsu did not have any shareholding in any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group nor did it have any interest,

direct or indirect, in any assets which have been, since 31st December, 2004, the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group.

6. LEGAL EFFECT

This Prospectus and the enclosed PAL and EAF, and all acceptances of any offer or application contained in such documents, are governed by and shall be construed in accordance with the laws of Hong Kong. Where an application is made in pursuance of any such documents, the relevant document(s) shall have the effect of rendering all persons concerned bound by the provisions, other than the penal provisions, of Sections 44A and 44B of the Companies Ordinance, so far as applicable.

7. EXPENSES

The expenses in connection with the Rights Issue, including the financial advisory fee, underwriting commission, printing, registration, translation, legal, and accountancy charges are estimated to amount to approximately HK\$4.6 million and will be payable by the Company.

8. DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES

A copy of each of the Prospectus Documents and the written consent of Deloitte Touche Tohmatsu referred to in the paragraph headed "Expert and consent" in this appendix have been delivered to the Registrar of Companies in Hong Kong pursuant to Section 342C of the Companies Ordinance.

9. LITIGATION

As at the Latest Practicable Date and so far as the Directors are aware, there was no litigation or claims of material importance pending or threatened against the Company or any of its subsidiaries.

10. MATERIAL CONTRACT

The contract which has been entered into by the Company and its subsidiaries (not being contracts entered into in the ordinary course of business) within the two years immediately preceding the date of this Prospectus and is or may be material only comprise the Underwriting Agreement.

Save as aforesaid, no material contracts (not being contracts entered into in the ordinary course of business carried on by the Group) have been entered into by any member of the Group within the two years preceding the date of this Prospectus.

11. MISCELLANEOUS

- (a) As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which does not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

- (b) The English texts of this Prospectus and the accompanying PAL and EAF shall prevail over their respective Chinese texts.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection during normal business hours (Saturdays and public holidays excepted) at the head office and principal place of business of the Company in Hong Kong at 10th Floor, Island Place Tower, 510 King's Road, North Point, Hong Kong from the date of this Prospectus up to and including Friday, 2nd September, 2005:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the annual reports and accounts of the Company for the two years ended 31st December, 2004;
- (c) the letter from Deloitte Touche Tohmatsu, the text of which is set out in Appendix II to this Prospectus;
- (d) the written consent referred to in the paragraph headed "Expert and consent" in this Appendix;
and
- (e) the material contract referred to in the paragraph headed "Material contract" in this Appendix.