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SYMPHONY

SYMPHONY HOLDINGS LTD.
新 灃 集 團 有 限 公 司*

(Incorporated in Bermuda with limited liability)

(Stock Code: 01223)

ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013 AND CLOSURE OF BOOKS

CHAIRMAN'S STATEMENT AND OUTLOOK

I present the annual results of the Company for the year ended 31 December 2013.

As mentioned in the last interim report of the Company, the 2013 world-wide market uncertainties were real daunting challenges, and the Company had to make some important strategic decisions to exit the shoe manufacturing operation, and to re-direct its effort in other potential profitable business ventures such as branding, outlet mall investment and outlet mall management services. The year of 2013 was therefore a true year of transformation and consolidation for the Company, as a series of disposals and acquisition took place.

* *For identification only*

Nevertheless, the uncertainties hovering the global economy in recent years are expected to taper off somewhat in 2014, as improvement of growth prospects is expected for the United States, European Union and the Asia Pacific. Economic growth in the Asia-Pacific region is also forecasted to strengthen in 2014, supported by a rebound in East Asian exports, driven by an upturn in the US. Even if China's growth is slowing, it is still on target. The 12th five-year growth plan for 2011-15 set an average annual growth target of 7%. Since the economic growth rate was 9.3% in 2011, 7.8% in 2012 and 7.7% in 2013, it seems that slowing down is part of the plan, as China adjusts its focus between exports to domestic consumption. Increasing labour cost has been putting brakes on exports, yet the growing number of outbound tourists and reduced high end consumer products spending are not so favoured by the retail trade.

Results

Turnover for the year for the continuing operations increased from HKD149.34 million to HKD212.11 million as a result of the acquisition of the PONY global brand (excluding PRC and Taiwan) and the Shenyang Park Outlets.

Profit attributable to owners of the Company for the year was HKD15.45 million compared to a loss of HKD214.35 million last year. The profit was mainly a result of the reversal of the foreign exchange reserves resulting from the discontinued manufacturing operations and also the gain from the acquisition of PONY global brand and disposal of the Haggar menswear brand.

In May 2013, we solidified our brand ownership by acquiring the entire interest of the PONY global brand and disposing of our interest in the Haggar menswear brand. The move is in line with our objective to dedicate future efforts to the PONY brand development and outlet mall expansion. By assuming control over brand strategy, product development and marketing of PONY brand globally (excluding China and Taiwan), the Board expects that the future trading and financial prospects of the group Company will be enhanced.

The Company has identified and is working with Anthony L&S Group, a major licensee who has been pioneering the design and the importation of footwear into the US for the last 20 years, to reinforce the PONY development effort in the US. This US licensee receives support from the Samsung group, services of which include financing of purchases, logistics, warehousing, credit approval, invoicing and account receivable collection.

As a result of intensified brand building efforts, brand recognition is growing in many key markets like USA, Europe, Korea, and Hong Kong. Market penetration in Europe takes the form of distribution at reputable selected locations. Ongoing brand support will continue in the form of well-designed products, innovative marketing initiatives and collaboration with major designers and brands.

In August, we disposed of our manufacturing business, which has been adversely affected by rising labour, raw materials and utilities costs, weakening market demand, increasing transportation and logistics costs plus overhead pressures from the factories in China, inflationary pressures and the volatile foreign currency regime all contributes to falling gross profit margin. The completion accounts were finalized in 2014.

Following the disposal of the footwear manufacturing business, the Company successfully raised a net amount of HKD291.74 million in October last year through placing of shares. It is intended that the placing proceeds will be utilized for outlet mall expansion. Not only will the placing further enlarge the equity and shareholder base of the Company, it will also substantially reduce bank borrowings and finance costs.

It is the intent of the board to concentrate on core activities where the Company has competitive advantages and core competencies. The principal activities of the Group, after corporate restructuring, consists of the management and operations of the outlet malls in the PRC, the development and management of the “PONY” brand and retailing. Insofar as property development in the PRC is concerned, the Company is actively seeking collaboration with experienced property developer to co-develop the sizable residential and commercial land in Shenbei District, Shenyang City.

Together with Mitsubishi Estate Co. Ltd. (TSE: 8802), a major outlet mall operator in Japan, the Company has successfully built and operated the Park Outlets in Shenyang, the first outlet mall in north-east China, taking advantage of the blooming domestic consumption in China.

The Company, via the establishment of a joint venture subsidiary in China, has entered into a long term service contract with a reputable state-owned enterprise in Tianjin in 2013 to manage their 60,000 plus square metre themed outlet mall scheduled to open in mid 2014. Situated about 20 km away from Tianjin downtown in a scenic environment, and yet right in the hub of major expressways linking neighbouring cities including Beijing and Shanghai, this outlet mall is targeted to be a point of interest for visitors and residents alike besides a major shopping destination.

The Company aims to accelerate the growth of its outlet mall portfolio through synergistic alliance with strategic partners. Key potential locations in China with prospective partners and mall developers have successfully been identified and are currently being evaluated. It is expected that new business coalition with interested parties is imminent as more of our showpieces become available in the market.

The Company remains committed to its objectives of maintaining a healthy growth rate in earnings and a solid financial profile. This will be achieved through prudent and selected expansion, stringent capital expenditure and cost control. The latest acquisition in February this year of a financial services group is exemplary of the Company's effort to diversify its business. In light of the shortage of financial services support to small and medium size enterprises in China, we view this recently acquired financial services group (pending approval from Securities and Futures Commission) as a platform to support them in China to expand their business, retail and wholesale inclusive with the proper financing and consultancy approaches.

Appreciation

I would take this opportunity to thank my fellow directors, our staff and stakeholders for their continuous support and contribution to the Company.

Operation review

The Group reported a total revenue of HKD212.11 million compared to HKD149.34 million in the previous year of its continuing operations. The increase was attributable to the acquisition of the PONY global brand and its outlet mall business.

The fair value of investment properties increases from HKD506.88 million to HKD729.23 million as the Company settled the final payment for its Shenyang property.

As a result of the Company discontinuing its manufacturing operations, inventories decrease from HKD254.21 million to HKD25.12 million, trade and other receivables also fall from HKD328.23 million to HKD104.76 million.

Administrative expenses move upward from HKD102.34 million to HKD168.72 million as a result of Shenyang Park Outlets in full year business operation.

Other income and gains also surges from HKD45.97 million to HKD61.14 million as a result of corporate restructuring conducted last year which consists of the disposal of the office building in Shenyang, Pony China and Taiwan trademark and the acquisition of the Pony worldwide brand.

MARKET INFORMATION

During the year, sales to the People's Republic of China, Hong Kong and other Asian countries comprised 92.9% (2012: 100%) of the total sales and the remaining 7.1% (2012: Nil) was mainly shared between United States of America, other European countries and South America.

Liquidity and capital resources

As at 31 December 2013, the Group had bank balances and cash of HKD823,257,000 (2012: HKD480,102,000). The Group was offered banking facilities amounting to HKD569,259,000 (2012: HKD841,370,000). As at 31 December 2013, the Group obtained bank borrowings in the amount of HKD379,383,000 (2012: HKD437,426,000). The Group has variable interest rate bank loans which carry interest range from 1.35% to 2.88% per annum. The effective interest rate of the Group's bank loans is 1.81% (2012: 1.88%). The gearing ratio stood at 21.21% (2012: 29.33%), based on total borrowings over shareholders' equity. The banking facilities were secured by corporate guarantees from the Company and certain of its subsidiaries. Bank loans are secured by certain land and buildings and investment properties of the Group.

Human resources

As at 31 December 2013, the total number of employees of the Group was 309. Employee costs (excluding directors' emoluments) amounted to approximately HKD83,505,000 (2012: HKD62,308,000).

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

Share option schemes

On 22 October 2001, shareholders of the Company had approved and adopted a share option scheme (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, at the sole discretion of the board of directors, have contributed or will contribute to the Group are eligible to participate in the 2001 Scheme.

At the annual general meeting of the Company held on 10 June 2011, shareholders of the Company had approved the termination of the 2001 scheme and adopted a new share option scheme (the "2011 Scheme").

Pursuant to the 2001 and the 2011 Schemes, shares which may be issued upon exercise of all options to be granted under the two schemes 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 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 two schemes 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 two schemes or any other share option schemes 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 HKD1.00.

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 quotation sheets issued by the Exchange on the date of grant; (ii) the average closing price of the shares of the Company as stated in the daily quotation sheets issued by the Stock Exchange of Hong Kong Limited 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 approved by the board of directors at the time the option is offered to the participants.

No options may be granted under the two schemes after the date of the tenth anniversary of the adoption of the two schemes.

For the year ended 31 December 2012, no share option was granted by the Company, neither was there any outstanding, lapsed or cancelled options pursuant to the 2001 Scheme and the 2011 Scheme.

On 9 September 2013 and 9 October 2013, a total of 100,900,000 share options were granted to eligible persons. Details of the movements of the share options granted under the 2011 Scheme during the year ended 31 December 2013 are as follows:

				Number of share options				
Name of participants	Date of grant	Exercise period	Exercise price per share	Outstanding as at 1 January 2013	Granted during the year	Exercised during the year	Lapsed during the year	Outstanding as at 31 December 2013
Directors	9/9/2013	9/9/2013 to 8/9/2016	HKD0.406	–	16,400,000	(5,200,000)	–	11,200,000
		9/9/2014 to 8/9/2016	HKD0.406	–	12,300,000	–	–	12,300,000
		9/9/2015 to 8/9/2016	HKD0.406	–	12,300,000	–	–	12,300,000
	9/10/2013	9/10/2013 to 8/10/2016	HKD0.402	–	2,000,000	–	–	2,000,000
		9/10/2014 to 8/10/2016	HKD0.402	–	1,500,000	–	–	1,500,000
		9/10/2015 to 8/10/2016	HKD0.402	–	1,500,000	–	–	1,500,000
Employees	9/9/2013	9/9/2013 to 8/9/2016	HKD0.406	–	16,000,000	(2,400,000)	–	13,600,000
		9/9/2014 to 8/9/2016	HKD0.406	–	12,000,000	–	–	12,000,000
		9/9/2015 to 8/9/2016	HKD0.406	–	12,000,000	–	–	12,000,000
	9/10/2013	9/10/2013 to 8/10/2016	HKD0.402	–	5,960,000	(550,000)	–	5,410,000
		9/10/2014 to 8/10/2016	HKD0.402	–	4,470,000	–	–	4,470,000
		9/10/2015 to 8/10/2016	HKD0.402	–	4,470,000	–	–	4,470,000
				–	100,900,000	(8,150,000)	–	92,750,000
weighted average exercise price				N/A	0.405	0.406	N/A	0.405

The number and weighted average exercise price of share options exercisable at the end of the reporting period are 32,210,000 and HKD0.405 respectively.

The weighted average remaining contractual life for share options outstanding at the end of reporting period is 2.69 years (2012: Nil). The weighted average share price at the date of exercise of options exercised during the year was HKD0.45 (2012: Nil).

The total number of securities available for issue under the share option scheme as at 31 December 2013 was 622,955,074 shares (including options for 92,750,000 shares that have been granted but not yet lapsed or exercised) which represented 29.6% of the issued share capital of the Company at 31 December 2013.

The estimated fair value of the options granted on 9 September 2013 was HKD0.1184 per option. The fair value was calculated using the Black-Scholes model with Binomial Tree method. The inputs into the model were as follows:

Share price at grant date	HKD0.400
Exercise price	HKD0.406
Expected volatility	43.526%
Expected life	3 years
Risk-free rate	0.693%
Expected dividend yield	0%

The estimated fair value of the options granted on 9 October 2013 was HKD0.1204 per option. The fair value was calculated using the Black-Scholes model with Binomial Tree method. The inputs into the model were as follows:

Share price at grant date	HKD0.400
Exercise price	HKD0.402
Expected volatility	44.015%
Expected life	3 years
Risk-free rate	0.545%
Expected dividend yield	0%

The volatility assumption, measured at the standard deviation of expected share price returns, is based on a statistical analysis of daily share prices over the last three years.

The share options granted on 9 September 2013 are subject to the following vesting schedule:

Vesting schedule	**Maximum number of share options exercisable**
From 9 September 2013 to 8 September 2014	40%
From 9 September 2014 to 8 September 2015	70%
From 9 September 2015 to 8 September 2016	100%

The share options granted on 9 October 2013 are subject to the following vesting schedule:

Vesting schedule	Maximum number of share options exercisable
From 9 October 2013 to 8 October 2014	40%
From 9 October 2014 to 8 October 2015	70%
From 9 October 2015 to 8 October 2016	100%

The fair value of share options granted is recognised as an employee cost with a corresponding increase in share options reserve within equity over the relevant vesting periods.

The Company and its subsidiaries (the "Group") recognised an expense of HKD6,387,000 for the year ended 31 December 2013 (2012: Nil) in relation to share options granted by the Company.

Events after the reporting period

(a) On 12 February 2014, the Group entered into an acquisition agreement and pursuant to which the Group has conditionally agreed to purchase 100% equity interest in Jin Dragon Holdings Limited ("Jin Dragon"), together with the shareholder's loans, from an independent third party for an aggregate consideration of HKD146,157,119. Upon closing of this acquisition, Jin Dragon will become a wholly-owned subsidiary of the Company.

(b) On 28 February 2014, the Group entered into an acquisition agreement and pursuant to which the Group has conditionally agreed to acquire the remaining 50% equity interest in the joint venture JFT Holdings Limited ("JFT Holdings") from its joint venture partner Toyota Tsusho Corporation for an aggregate consideration of HKD25,000,000. Upon closing of this acquisition, JFT Holdings will become a wholly-owned subsidiary of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	2013 HKD'000	2012 HKD'000 (Re-presented)
Continuing operations			
Revenue	4	**212,106**	149,335
Cost of sales		**(126,531)**	(91,791)
Gross profit		**85,575**	57,544
Other income and gains	7(a)	**61,136**	45,966
Distribution and selling expenses		**(100,635)**	(118,300)
Administrative expenses		**(168,719)**	(102,339)
Finance costs	5	**(8,516)**	(7,354)
Other expenses	7(b)	**(27,268)**	(5,443)
Increase in fair value of investment properties		**4,500**	33,843
Impairment loss on interests in joint ventures		**–**	(20,512)
Share of results of joint ventures		**(33,606)**	(59,274)
Loss before income tax credit/(expense)		**(187,533)**	(175,869)
Income tax credit/(expense)	6	**2,079**	(2,387)
Loss for the year from continuing operations	7(c)	**(185,454)**	(178,256)
Discontinued operations			
Profit/(loss) for the year from discontinued operations, after tax	7(d)	**176,870**	(46,090)
Loss for the year		**(8,584)**	(224,346)
Other comprehensive income, net of tax			
Items that will not be reclassified to profit or loss:			
Surplus arising on revaluation of properties		**12,325**	18,924
Deferred tax liability arising on revaluation of properties		**262**	(2,469)
Release of deferred tax liabilities arising on revaluation of properties upon disposal of properties		**–**	11,554
		12,587	28,009
Items that may be reclassified subsequently to profit or loss:			
Fair value gain on available-for-sale investments		**39**	670
Release of investments revaluation reserve to profit or loss upon disposal of available-for-sale investments		**(45)**	(189)
Translation reserves released to profit or loss on disposal of subsidiaries		**(84,010)**	–
Exchange differences arising on translation of foreign operations		**37,195**	10,109
Share of other comprehensive income of joint ventures		**(1,520)**	1,701
		(48,341)	12,291

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2013

	NOTES	**2013** **HKD'000**	2012 HKD'000 (Re-presented)
Other comprehensive income for the year, net of tax		**(35,754)**	40,300
Total comprehensive income for the year		**(44,338)**	(184,046)
Profit/(loss) for the year attributable to:			
Owners of the Company			
Loss for the year from continuing operations		**(161,416)**	(168,256)
Profit/(loss) for the year from discontinued operations		**176,870**	(46,090)
Profit/(loss) for the year attributable to owners of the Company		**15,454**	(214,346)
Non-controlling interests			
Loss for the year from continuing operations		**(24,038)**	(10,000)
Loss for the year attributable to non-controlling interests		**(24,038)**	(10,000)
		(8,584)	(224,346)
Total comprehensive income attributable to:			
Owners of the Company		**(31,790)**	(176,778)
Non-controlling interests		**(12,548)**	(7,268)
		(44,338)	(184,046)
Earnings/(loss) per share			
Basic and diluted *(HK cents)*	*9*		
From continuing and discontinued operations		**1.05**	(16.39)
From continuing operations		**(10.94)**	(12.86)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

	NOTES	**2013** **HKD'000**	2012 *HKD'000* (Re-presented)
Non-current assets			
Property, plant and equipment		**514,283**	571,383
Investment properties		**729,233**	506,880
Prepaid lease payments		**292,590**	291,363
Intangible assets		**209,916**	–
Deposit paid for acquisition of an investment property		**–**	150,288
Interests in joint ventures		**35,369**	48,062
Advances to joint ventures		**–**	108,348
Available-for-sale investments		**–**	2,334
Deferred tax assets		**23,207**	18,457
Tax recoverable		**52,314**	45,414
Club debentures		**2,326**	2,003
Restricted bank deposit		**3,843**	3,729
		1,863,081	1,748,261
Current assets			
Inventories		**25,120**	254,211
Amounts due from joint ventures		**84,128**	4,212
Trade and other receivables	*10*	**104,757**	328,225
Prepaid lease payments		**7,618**	7,394
Pledged bank deposit		**57,641**	78,319
Bank balances and cash		**823,257**	480,102
		1,102,521	1,152,463
Assets classified as held for sale		**–**	120,383
		1,102,521	1,272,846
Current liabilities			
Trade and other payables	*11*	**287,862**	551,668
Amounts due to joint ventures		**44,934**	24,259
Bank borrowings		**379,383**	437,426
Tax payable		**41,109**	75,293
		753,288	1,088,646
Net current assets		**349,233**	184,200
Total assets less current liabilities		**2,212,314**	1,932,461
Non-current liabilities			
Obligations arising from a joint venture		**64,859**	46,820
Deferred tax liabilities		**85,913**	74,257
		150,772	121,077
		2,061,542	1,811,384

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT 31 DECEMBER 2013

	2013	2012
	HKD'000	*HKD'000*
		(Re-presented)
Equity		
Share capital	**210,369**	130,804
Reserves	**1,578,480**	1,360,684
Equity attributable to owners of the Company	**1,788,849**	1,491,488
Non-controlling interests	**272,693**	319,896
	2,061,542	1,811,384

Notes:

1. GENERAL

Symphony Holdings Limited was incorporated in Bermuda as an exempted company with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited. The address of the registered office is Clarendon House, 2 Church Street, Hamilton HM11, Bermuda and the principal place of business of the Company is located on the 10th Floor of Island Place Tower, 510 King's Road, North Point, Hong Kong.

During the year, the Group obtained control of China Ocean Resources Limited ("China Ocean") by acquiring the remaining 50% equity interest it did not previously held. Prior to this acquisition, the Group already hold a 50% equity interest in China Ocean, which was classified as a joint venture and was accounted for using the equity method accordingly. The principal activities of China Ocean are trademark rights licensing, trading and retailing of footwear, apparel and accessories under the "PONY" brand. On the other hand, the Group disposed of its footwear manufacturing business during the year.

The other principal activities of the Group are property investment and holding, and management and operation of outlet mall in the People's Republic of China ("PRC").

2. ADOPTION OF HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

(a) Adoption of new/revised HKFRSs – effective 1 January 2013

HKFRSs (Amendments)	Annual Improvements 2009-2011 Cycle
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle
Amendments to HKAS 1 (Revised)	Presentation of Items of Other Comprehensive Income
Amendments to HKFRS 7	Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKAS 19 (2011)	Employee Benefits
HK(IFRIC) – Interpretation 20	Stripping Costs of the Production Phase of a Surface Mine
Amendments to HKFRS 1	Government loans

Except as explained below, the adoption of these amendments has no material impact on the Group's financial statements.

HKFRSs (Amendments) – Annual Improvements 2009-2011 Cycle

HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or reclassification has a material effect on the information presented in the opening position. Further, this opening statement of financial position does not have to be accompanied by comparative information in the related notes. This is consistent with the Group's existing accounting policy.

HKFRSs (Amendments) – Annual Improvements 2010-2012 Cycle

The Basis of Conclusions for HKFRS 13 Fair Value Measurement was amended to clarify that short-term receivables and payables with no stated interest rate can be measured at their invoice amounts without discounting, if the effect of discounting is immaterial. This is consistent with the Group's existing accounting policy.

Amendments to HKAS1 (Revised) – Presentation of Items of Other Comprehensive Income

The amendments to HKAS 1 (Revised) require the Group to separate items presented in other comprehensive income into those that may be reclassified to profit or loss in the future and those that will not. Tax on items of other comprehensive income is allocated and disclosed on the same basis.

The Group has adopted the amendments retrospectively for the financial year ended 31 December 2013. Items of other comprehensive income that may and will not be reclassified to profit and loss in the future have been presented separately in the consolidated statement of comprehensive income. The comparative information has been restated to comply with the amendments. As the amendments affect presentation only, there are no effects on the Group's financial position or performance.

HKFRS 10 – Consolidated Financial Statements

HKFRS 10 introduces a single control model for consolidation of all investee entities. An investor has control when it has power over the investee (whether or not that power is used in practice), exposure or rights to variable returns from the investee and the ability to use the power over the investee to affect those returns. HKFRS 10 contains extensive guidance on the assessment of control. For example, the standard introduces the concept of "de facto" control where an investor can control an investee while holding less than 50% of the investee's voting rights in circumstances where its voting interest is of sufficiently dominant size relative to the size and dispersion of those of other individual shareholders to give it power over the investee. Potential voting rights are considered in the analysis of control only when these are substantive, i.e. the holder has the practical ability to exercise them.

The standard explicitly requires an assessment of whether an investor with decision making rights is acting as principal or agent and also whether other parties with decision making rights are acting as agents of the investor. An agent is engaged to act on behalf of and for the benefit of another party and therefore does not control the investee when it exercises its decision making authority. The accounting requirements in HKAS 27 (2008) on other consolidation related matters are carried forward unchanged. The Group has changed its accounting policy in determining whether it has control of an investee and therefore is required to consolidate that interest.

The adoption of HKFRS 10 does not change any of control conclusions reached by the Group in respect of its involvement with other entities as at 1 January 2013.

HKFRS 11 – Joint Arrangements

Joint arrangements under HKFRS 11 have the same basic characteristics as joint ventures under HKAS 31. Joint arrangements are classified as either joint operations or joint ventures. Where the Group has rights to the assets and obligations for the liabilities of the joint arrangement, it is regarded as a joint operator and will recognise its interests in the assets, liabilities, income and expenses arising from the joint arrangement. Where the Group has rights to the net assets of the joint arrangement as a whole, it is regarded as having an interest in a joint venture and will apply the equity method of accounting, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). HKFRS 11 does not allow proportionate consolidation of a joint venture arrangement. In an arrangement structured through a separate vehicle, all relevant facts and circumstances should be considered to determine whether the parties to the arrangement have rights to the net assets of the arrangement. Previously, the existence of a separate legal entity was the key factor in determining the existence of a jointly controlled entity under HKAS 31. The Group has changed its accounting policy for joint arrangements.

The Group has assessed its interests in joint arrangements, previously classified as jointly controlled entities under HKAS 31, and concluded that they are to be classified as joint ventures under HKFRS 11. The interests continued to be accounted for using the equity method and therefore the reclassification does not have any material impact on the financial position and financial results of the Group.

HKFRS 12 – Disclosure of Interests in Other Entities

HKFRS 12 integrates and makes consistent the disclosures requirements about interests in subsidiaries, associates and joint arrangements. It also introduces new disclosure requirements, including those related to unconsolidated structured entities. The general objective of the standard is to enable users of financial statements to evaluate the nature and risks of a reporting entity's interests in other entities and the effects of those interests on the reporting entity's financial statements.

HKFRS 12 disclosures are provided in the consolidated financial statements. As the new standard affects only disclosure, there is no effect on the Group's financial position and performance.

HKFRS 13 Fair Value Measurements

HKFRS 13 provides a single source of guidance on how to measure fair value when it is required or permitted by other standards. The standard applies to both financial and non-financial items measured at fair value and introduces a fair value measurement hierarchy. The definitions of the three levels in this measurement hierarchy are generally consistent with HKFRS 7 "Financial Instruments: Disclosures". HKFRS 13 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). The standard removes the requirement to use bid and ask prices for financial assets and liabilities quoted in an active market. Rather the price within the bid-ask spread that is most representative of fair value in the circumstances should be used. It also contains extensive disclosure requirements to allow users of the financial statements to assess the methods and inputs used in measuring fair values and the effects of fair value measurements on the financial statements. HKFRS 13 is applied prospectively.

HKFRS 13 did not materially affect any fair value measurements of the Group's assets and liabilities and therefore has no effect on the Group's financial position and performance. The standard requires additional disclosures about fair value measurements and these are included in the consolidated financial statements. Comparative disclosures have not been presented in accordance with the transitional provisions of the standard.

(b) New/revised HKFRSs that have been issued and have been early adopted

Amendments to HKAS 36 – Recoverable Amount Disclosures

The amendments limit the requirements to disclose the recoverable amount of an asset or cash generating unit (CGU) to those periods in which an impairment loss has been recognised or reversed, and expand the disclosures where the recoverable amount of impaired assets or CGUs has been determined based on fair value less costs of disposal. The amendments are effective for annual periods commencing on or after 1 January 2014. The Group has early adopted the amendments to HKAS 36 in the current year.

(c) New/revised HKFRSs that have been issued but are not yet effective

The following new/revised HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group.

Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[1]
HKFRS 9	Financial Instruments
Amendments to HKFRS 9, HKFRS 7 and HKAS 39	Hedge Accounting
HK (IFRIC) 21	Levies[1]
HKFRSs (Amendments)	Annual Improvements 2010-2012 Cycle[3]
HKFRSs (Amendments)	Annual Improvements 2011-2013 Cycle[2]

[1] *Effective for annual periods beginning on or after 1 January 2014*

[2] *Effective for annual periods beginning on or after 1 July 2014*

[3] *Effective for annual periods beginning, or transactions occurring, on or after 1 July 2014*

Amendments to HKAS 32 – Offsetting Financial Assets and Financial Liabilities

The amendments clarify the offsetting requirements by adding appliance guidance to HKAS 32 which clarifies when an entity "currently has a legally enforceable right to set off" and when a gross settlement mechanism is considered equivalent to net settlement.

HKFRS 9 – Financial Instruments

Under HKFRS 9, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for those non-trade equity investments, which the entity will have a choice to recognise the gains and losses in other comprehensive income. HKFRS 9 carries forward the recognition, classification and measurement requirements for financial liabilities from HKAS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, HKFRS 9 retains the requirements in HKAS 39 for derecognition of financial assets and financial liabilities.

Amendments to HKFRS 9, HKFRS 7 and HKAS 39 – Hedge Accounting

The amendments overhaul hedge accounting to allow entities to better reflect their risk management activities in financial statements. Changes included in HKFRS 9 to address the own credit risk issue on financial liabilities designated at fair value through profit or loss can be applied in isolation without the need to change any other accounting for financial instruments. The amendments also remove the 1 January 2015 effective date for HKFRS 9.

HK (IFRIC) 21 – Levies

HK (IFRIC) 21 clarifies that an entity recognises a liability to pay a levy imposed by government when the activity that triggers payment, as identified by the relevant legislation, occurs.

Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle

The amendments issued under the annual improvements process make small, non-urgent charges to a number of standards where they are currently unclear. Among them HKAS 16 Property, Plant and Equipment has been amended to clarify how the gross carrying amount and accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to revalued amount. The accumulated depreciation may be eliminated against the gross carrying amount of the asset. Alternatively, the gross carrying amount may be adjusted in a manner consistent with the revaluation of the carrying amount of the asset and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared under the historical cost basis except for certain properties and financial instruments, which are measured at revalued amounts or fair values, as appropriate. Historical cost is generally based on the fair value of the consideration given in exchange for goods.

The consolidated financial statements have been prepared in accordance with all applicable HKFRSs, Hong Kong Accounting Standards ("HKASs") and Interpretations (hereinafter collectively referred to as the "HKFRSs") and the disclosure requirements of Hong Kong Companies Ordinance. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

4. SEGMENT INFORMATION

Information reported to the chief operating decision-maker, being the managing director of the Group, for the purpose of resources allocation and performance assessment focuses specifically on the assessment of operating performance in each operating unit, which is the basis upon which the Group is organised. Each operating unit is distinguished based on types of goods or services delivered or provided. No operating segments identified by the chief operating decision-maker have been aggregated in arriving at the reportable segments of the Group. Financial information on segment results and segment assets are regularly provided to the chief operating decision-maker while no information of segment liabilities is provided.

During the year, the Group obtained control of China Ocean Resources Limited ("China Ocean") by acquiring the remaining 50% equity interest it did not previously hold. Prior to this acquisition, the Group already held a 50% equity interest of China Ocean which was classified as a joint venture and was accounted for using the equity method accordingly. The principal activities of China Ocean are trademark rights licensing, trading and retailing of footwear, apparel and accessories under the "PONY" brand. The activities of China Ocean have become a new reportable and operating segment of the Group and are separately assessed by the chief operating decision-maker. On the other hand, the Group disposed of its footwear manufacturing segment which is presented as discontinued operations. The segment information reported below does not include any amounts for the discontinued operations, details of which are set out in Note 7(d) below.

The Group's reportable and operating segments under HKFRS 8 are as follows:

Continuing operations:

- Retailing and sourcing – retailing and provision of sourcing services for branded apparel, swimwear and accessories;
- Branding – development and management of "PONY" brand;
- Property investment and holding; and
- Outlet malls.

(a) Segment Revenue and Results

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

For the year ended 31 December 2013

	Continuing operations				
	Retailing and sourcing	Branding	Property investment and holding	Outlet malls *(Note)*	Consolidated
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*	*HKD'000*
REVENUE					
External sales	154,580	33,197	7,262	17,067	212,106
Segment (loss)/profit	(19,661)	(28,353)	4,300	(71,220)	(114,934)
Corporate income					
– Interest income					3,866
– Gain on disposal of available-for-sale investments					45
– Gain on disposal of subsidiaries					7,351
– Gain on disposal of a joint venture					11,054
– Fair value gain on re-measurement of equity in a joint venture					5,159
– Bargain purchase gain arising on business combination					12,992
– Others					1,997
Central administrative costs					(81,457)
Share of results of joint ventures					(33,606)
Loss before income tax expense					(187,533)

Note:

The income from outlet malls segment is analysed as follows:	
Gross revenue from concessionaire sales	159,041
Commission income from concessionaire sales	17,067

For the year ended 31 December 2012

	Continuing operations			
	Retailing and sourcing	Property investment and holding	Outlet malls *(Note)*	Consolidated *(Re-presented)*
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
REVENUE				
External sales	139,657	8,665	1,013	149,335
Segment (loss)/profit	(56,889)	35,842	(17,642)	(38,689)
Corporate income				
– Interest income				7,214
– Gain on disposal of available-for-sale investments				189
– Others				655
Central administrative costs				(65,452)
Impairment loss on interests in joint ventures				(20,512)
Share of results of joint ventures				(59,274)
Loss before income tax expense (continuing operations)				(175,869)

Note:

The income from outlet malls segment is analysed as follows:

Gross revenue from concessionaire sales	14,173
Commission income from concessionaire sales	1,013

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales for both years.

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3 to the consolidated financial statements. Segment profit/(loss) represents the profit earned or the loss incurred by each segment without allocation of corporate income which includes interest income, gain on disposal of a joint venture, gain on disposal of available-for-sale investments, fair value gain on re-measurement of equity in a joint venture, bargain purchase gain arising on business combination, central administrative costs, impairment loss on interests in joint ventures and share of results of joint ventures. This is the measure reported to the chief operating decision-maker for the purpose of resources allocation and performance assessment.

(b) Segment Assets

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

Segment assets

	2013	2012
	HKD'000	*HKD'000*
		(Re-presented)
Continuing operations		
Retailing and sourcing	**65,746**	109,264
Branding	**235,904**	–
Property investment and holding	**896,267**	791,785
Outlet malls	**685,603**	646,324
Total segment assets	**1,883,520**	1,547,373
Discontinued operations		
Footwear manufacturing	**–**	562,371
Unallocated	**1,082,082**	911,363
Consolidated assets	**2,965,602**	3,021,107

For the purposes of monitoring segment performances and allocating resources between segments, all assets are allocated to reportable and operating segments other than advance to joint ventures, interests in joint ventures, available-for-sale investments, deferred tax assets, tax recoverable, club debentures, amounts due from joint ventures, assets classified as held for sale, restricted bank deposit, pledged bank deposit and bank balances and cash.

(c) Other segment information

For the year ended 31 December 2013

	Continuing operations				
	Retailing and sourcing	**Branding**	**Property investment and holding**	**Outlet malls**	**Consolidated**
	HKD'000	***HKD'000***	***HKD'000***	***HKD'000***	***HKD'000***
Amounts included in the measure of segment loss or segment assets:					
Capital expenditure *(Note)*	**3,369**	**377**	**243,404**	**43,629**	**290,779**
Depreciation of property, plant and equipment	**5,366**	**201**	**4,273**	**25,004**	**34,844**
Amortisation of prepaid lease payments	**–**	**–**	**–**	**7,215**	**7,215**
Increase in fair value of investment properties	**–**	**–**	**(4,500)**	**–**	**(4,500)**
Provision/(reversal) of allowance for bad and doubtful debts	**–**	**17,978**	**(850)**	**–**	**17,128**
Provision/(reversal) of allowance for inventories, net	**(14,354)**	**2,543**	**–**	**–**	**(11,811)**
Interest expense	**–**	**–**	**8,516**	**–**	**8,516**

For the year ended 31 December 2012

	Continuing operations			
	Retailing and sourcing	Property investment and holding	Outlet malls	Consolidated (Re-presented)
	HKD'000	*HKD'000*	*HKD'000*	*HKD'000*
Amounts included in the measure of segment loss or segment assets:				
Capital expenditure *(Note)*	3,435	755	188,292	192,482
Depreciation of property, plant and equipment	6,174	3,909	3,361	13,444
Amortisation of prepaid lease payments	–	–	1,231	1,231
Increase in fair value of investment properties	–	(33,843)	–	(33,843)
Provision of allowance for inventories, net	16,600	–	–	16,600
Government grant	–	–	(35,527)	(35,527)
Interest expense	–	7,354	–	7,354

Note: Capital expenditure includes additions to property, plant and equipment and investment properties but excludes those relating to discontinued operations.

(d) Geographical Information

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

	Revenue from external customers		Non-current assets located *(Note (ii))*	
	2013	2012	**2013**	2012
	HKD'000	*HKD'000*	***HKD'000***	*HKD'000*
		(Re-presented)		
The People's Republic of China	**172,244**	141,458	**1,144,793**	1,097,393
Taiwan	**–**	–	**–**	10,423
Hong Kong (place of domicile)	**6,800**	7,877	**399,076**	394,534
United States of America	**6,076**	–	**82,778**	–
Vietnam	**–**	–	**–**	17,564
South America	**5,449**	–	**–**	–
Other European countries *(Note (i))*	**741**	–	**–**	–
Other Asia countries *(Note (i))*	**18,062**	–	**–**	–
Others *(Note (i))*	**2,734**	–	**119,375**	–
	212,106	149,335	**1,746,022**	1,519,914

Notes:

(i) The geographical information for the revenue attributed to each country is not available and the cost to capture such information would be excessive.

(ii) Non-current assets exclude advances to joint ventures, interests in joint ventures, available-for-sale investments, deferred tax assets, tax recoverable, club debentures and restricted bank deposit.

(e) Information about Major Customers

No revenue from transactions with a single external customer amounted to 10% or more of the Group's revenue.

5. FINANCE COSTS

	2013	2012
	HKD'000	*HKD'000*
		(Re-presented)
Interest on bank borrowings wholly repayable within five years	**8,516**	7,354

All bank borrowings for the year ended 31 December 2013 and 2012 contain a repayment on demand clause.

6. INCOME TAX CREDIT/(EXPENSE)

The amount of income tax credit/(expense) relating to continuing operations in the consolidated statement of comprehensive income represents:

	2013	2012
	HKD'000	*HKD'000*
		(Re-presented)
Current tax		
Hong Kong		
– Under provision in prior years	**(193)**	(26)
Other jurisdictions		
– Enterprise income tax ("EIT") – current year	**(2,232)**	(6,871)
	(2,425)	(6,897)
Deferred tax		
– current year	**4,504**	4,510
Income tax credit/(expense)	**2,079**	(2,387)

Hong Kong Tax

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

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

The Group had lodged objections with the IRD against the protective profits tax assessments. The IRD agreed to hold over the additional tax claimed subject to the relevant subsidiaries' purchases of tax reserve certificates ("TRCs") amounted to approximately HKD23 million. These TRCs were purchased and included in tax recoverable as at 31 December 2013 and 2012. In July and August 2012, the Group purchased additional TRCs amounted to HKD10.2 million relating to the year of assessment of 2004/05 at the request of IRD.

In December 2011, the Deputy Commissioner of the IRD issued his written determinations. Among others, he is of the view that the wholly-owned subsidiaries referred to above are subject to Hong Kong profits tax and confirmed/revised the protective profits tax assessments for 2001/2002 to 2004/2005 in the amount of approximately HKD306 million in aggregate. In January 2012, the Group filed notices of appeal to the Board of Review objecting to the written determinations the IRD issued in December 2011.

In March 2012, the IRD also issued protective profits tax assessments for profits tax or additional profits tax for HKD90.5 million in aggregate in accordance with the written determinations referred to above to the wholly-owned subsidiaries concerned for the year of assessment 2005/2006. The Group had lodged objections with the IRD against these protective profits tax assessments. The IRD agreed to hold over the additional tax claimed subject to the Group purchasing TRCs amounting to HKD12 million which the Group did in July 2012.

The protective assessments issued by IRD according to his determination for additional profits tax in aggregate of HKD396.5 million mentioned above for the years of assessment from 2001/2002 to 2005/2006 were issued on three alternative bases on the same set of profits for each year of assessment.

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

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

In October 2012, the IRD also issued protective profits tax assessments for profits tax or additional profits tax for HKD124.5 million in aggregate to the wholly owned subsidiaries relating to the year of assessment from 2006/07 to 2009/10 on three alternative bases on same set of profits for each year of assessment. The Group had lodged objections against the IRD regarding these protective profits tax assessments. The IRD agreed to hold over the additional tax claimed subject to the Group's purchasing tax reserve certificate amounting to HKD6.9 million which was done by the Group in January 2013.

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

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

PRC Tax

All group companies operating in the PRC are subject to the applicable tax rate was 25% during the year.

Others

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

7. LOSS FOR THE YEAR

(a) Other income and gains (from continuing operations)

	2013 *HKD'000*	2012 *HKD'000* (Re-presented)
Gain on disposal of a joint venture	**11,054**	–
Gain on disposal of an investment property	**180**	–
Gain on disposal of subsidiaries	**7,351**	–
Bargain purchase gain arising on business combination	**12,992**	–
Fair value gain on re-measurement of equity in a joint venture	**5,159**	–
Gain on disposal of available-for-sale investments	**45**	189
Interest income	**3,866**	7,214
Realised gain on forward exchange contract	**1,333**	–
Reversal of fair value gain on a finance guarantee	**2,300**	–
Management income from outlet mall	**7,059**	1,112
Government grant	**–**	35,527
Exchange gains, net	**–**	203
Others	**9,797**	1,721
	61,136	45,966

(b) Other expenses (from continuing operations)

	2013 *HKD'000*	2012 *HKD'000* (Re-presented)
Bad debts written off	**3,634**	1,896
Loss on disposal of property, plant and equipment	**2,140**	–
Provision of allowance for bad and doubtful debts, net		
– Trade receivables	**13,051**	–
– Other receivables	**4,077**	–
Impairment loss on loan receivables	**3,102**	–
Others	**1,264**	3,547
	27,268	5,443

(c) Loss for the year from continuing operations has been arrived at after charging:

	2013	2012
	HKD'000	*HKD'000*
		(Re-presented)
Directors' emoluments	**10,350**	8,432
Other staff costs	**72,370**	52,841
Retirement benefits schemes contributions, excluding directors	**11,135**	9,467
	93,855	70,740
Auditor's remuneration	**1,580**	892
Amortisation of prepaid lease payments	**7,215**	1,231
Cost of inventories recognised as expense	**126,531**	91,791
Depreciation of property, plant and equipment	**34,844**	13,444
Exchange losses, net	**704**	–
Write off of property, plant and equipment	**540**	3,327
Allowance for inventories, net	**–**	16,600
Provision for financial guarantee contracts	**–**	2,300
and after crediting:		
Reversal of allowance for inventories, net	**11,811**	–
Gross rental income from investment properties	**7,262**	8,665
Less: direct operating expenses from investment properties that generate rental income	**(611)**	(595)
	6,651	8,070
Interest income from:		
Bank deposits	**3,394**	745
Available-for-sale investments	**–**	83
Loans to a joint venture	**472**	6,386

Note:

The reversal of allowance for inventories arising from an increase in net realisable value was caused by the increase in estimated scrap value.

(d) Discontinued operations

On 28 June 2013, the Group entered into a conditional sale and purchase agreement (the "Disposal Agreement") with a related party (the "Purchaser"), pursuant to which the Company conditionally agreed to dispose of, and the Purchaser conditionally agreed to purchase, the entire issued share capital of Yi Ming Investments Limited ("Yi Ming"), an indirect wholly-owned subsidiary of the Company, and the shareholder's loan due by Yi Ming and its subsidiaries (together the "Disposal Group") for an aggregate consideration of approximately HKD429,199,000 (collectively referred to as the "Disposal"), subject to adjustments. The Disposal Group is principally engaged in footwear manufacturing and was one of the major components of the Group. The Disposal was completed on 31 August 2013. Details of the Disposal are disclosed in the circular of the Company dated 12 August 2013.

The sales, results, cash flows and net assets of the discontinued operations were as follows:

	8 months to 31 August 2013	12 months to 31 December 2012
	HKD'000	*HKD'000*
Revenue	**1,345,710**	1,818,239
Cost of sales	**(1,177,407)**	(1,680,931)
Gross profit	**168,303**	137,308
Other income	**17,937**	76,194
Distribution and selling expenses	**(26,894)**	(42,652)
Administrative expense	**(74,595)**	(115,743)
Finance costs	**(1,435)**	(1,012)
Other expenses	**(18,473)**	(81,202)
Profit/(loss) before income tax expense	**64,843**	(27,107)
Income tax expense	**(4,063)**	(18,983)
	60,780	(46,090)
Gain on disposal of subsidiaries *(Note 12(a))*	**116,090**	–
Profit/(loss) for the period/year from discontinued operations	**176,870**	(46,090)
Net cash (used in)/from operating activities	**(57,634)**	115,575
Net cash (used in)/from investing activities	**(59,987)**	74,835
Net cash used in financing activities	**(48,405)**	(91,220)
Net cash flow incurred by the discontinued operations	**(166,026)**	99,190

The carrying amounts of the assets and liabilities of the discontinued operations at the date of disposal are disclosed in Note 12(a).

For the purpose of presenting discontinued operations, the comparative consolidated statement of comprehensive income and the related notes have been re-presented as if the operations discontinued during the year had been discontinued at the beginning of the comparative period.

8. DIVIDENDS

	2013	2012
	HKD'000	*HKD'000*
2013 final dividend of Nil (2012: 2011 final dividend of HKD0.01) per ordinary share paid	**–**	13,080

No interim dividend was declared and paid in 2012 and 2013. For the year ended 31 December 2012 and 2013, the board did not recommend a final dividend.

9. EARNINGS/(LOSS) PER SHARE

From continuing and discontinued operations

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

Basic earnings/(loss) per share

	2013	2012
	HKD'000	*HKD'000*
		(Re-presented)
Profit/(loss) for the year attributable to the owners of the Company	**15,454**	(214,346)

	2013 Number of shares *('000)*	2012 Number of shares *('000)*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings/(loss) per share	**1,475,612**	1,308,034
Basic and diluted earnings/(loss) per share *(HK cents)*	**1.05**	(16.39)

From continuing operations

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

Profit/(loss) figures are calculated as follows:

	2013 *HKD'000*	2012 *HKD'000* (Re-presented)
Profit/(loss) for the year attributable to the owners of the Company	**15,454**	(214,346)
Less:		
Profit/(loss) for the year from discontinued operations	**176,870**	(46,090)
Loss for the purposes of basic and diluted loss per share from continuing operations	**(161,416)**	(168,256)

The denominators used are the same as those detailed above for both basic and diluted earnings/(loss) per share.

From discontinued operations

Basic and diluted earnings per share for the discontinued operations is 11.99 HK cents per share (2012: loss per share of 3.53 HK cents per share), based on the profit for the year from the discontinued operations of HKD176,870,000 (2012: loss of HKD46,090,000) and the denominators detailed above for both basic and diluted earnings/(loss) per share.

The amounts of diluted earnings/(loss) per share are the same as basic earnings/(loss) per share for the year ended 31 December 2013 because the exercise price of the Company's share options was higher than the average market price of the shares for the year.

The amount of diluted loss per share was the same as the basic loss per share for the year ended 31 December 2012 as there were no dilutive potential ordinary shares in existence during that year.

10. TRADE AND OTHER RECEIVABLES

	2013	2012
	HKD'000	*HKD'000*
Trade receivables	**51,197**	250,423
Less: allowance for doubtful debts	**(13,901)**	(6,730)
	37,296	243,693
Other receivables, deposits and prepayments	**67,461**	84,532
Trade and other receivables – current	**104,757**	328,225
Deposits paid for acquisition of an investment property *(Note)*	**–**	150,288
Total trade and other receivables	**104,757**	478,513

Note: The amounts represented deposits paid to Shenyang Plan and Land Resources Bureau for acquisition of the land use right of a parcel of land located in Shenyang, the PRC.

The Group allows an average credit period ranging from 60 to 90 days to its trade customers. Included in trade and other receivables are trade and bills receivables, net of allowance for doubtful debts, of HKD37,296,000 (2012: HKD243,693,000). The following is an aged analysis of trade receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period:

	2013	2012
	HKD'000	*HKD'000*
0 to 30 days	**9,802**	137,593
31 to 60 days	**6,000**	65,264
61 to 90 days	**1,594**	25,202
Over 90 days	**19,900**	15,634
	37,296	243,693

Before accepting any new customer, the Group assesses the potential customer's credit quality and grants a credit limit to the customer. Limits and score attributed to customers are reviewed twice a year. Approximately 47% (2012: 94%) of the trade receivables that are neither past due nor impaired have no default payment history. The Group does not hold any collateral over these balances.

Trade receivables disclosed above include amounts (see below for aged analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable.

Ageing of trade receivables which are past due but not impaired

	2013	2012
	HKD'000	*HKD'000*
Over 90 days	**19,900**	15,634

Movement in the allowance for doubtful debts – trade receivables

	2013	2012
	HKD'000	*HKD'000*
Balance at beginning of the year	**6,730**	8,610
Disposal of subsidiaries	**(5,880)**	–
Impairment losses recognised on receivables	**13,901**	630
Impairment losses reversed	**(850)**	(2,510)
Balance at end of the year	**13,901**	6,730

Included in the above provision for impairment of trade receivables is a provision for individually impaired trade receivables of HKD13,901,000 (2012: HKD630,000) with a carrying amount before provision of HKD33,801,000 (2012: HKD168,256,000). The individually impaired receivables related to customers that were slow in settlements and management assessed that only a portion or none of the receivables is expected to be recovered.

Movement in the allowance for doubtful debts – other receivables

	2013	2012
	HKD'000	*HKD'000*
Balance at beginning of the year	**–**	–
Impairment losses recognised on receivables	**4,077**	–
Balance at end of the year	**4,077**	–

Included in the above provision for impairment of other receivables is a provision for individually impaired other receivables of HKD4,077,000 (2012: Nil) with a carrying amount before provision of HKD4,077,000 (2012: Nil). The individually impaired receivables related to debtors that were slow in settlements and management assessed that only a portion or none of the receivables is expected to be recovered.

11. TRADE AND OTHER PAYABLES

	2013	2012
	HKD'000	*HKD'000*
Trade and bills payables	**34,047**	201,520
Other payables, temporary receipts and accruals	**253,815**	350,148
Total trade and other payables	**287,862**	551,668

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

	2013	2012
	HKD'000	*HKD'000*
0 to 30 days	**17,770**	83,004
31 to 60 days	**11,891**	61,515
61 to 90 days	**2,191**	17,632
Over 90 days	**2,195**	39,369
	34,047	201,520

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

12. DISPOSAL OF SUBSIDIARIES

(a) As referred to in Note 7(d), on 31 August 2013, the Group disposed of its subsidiaries Yi Ming which is principally engaged in footwear manufacturing and one of the major components of the Group. The net assets of the discontinued operations at the date of disposal were as follows:

	HKD'000
Net assets disposed of:	
Property, plant and equipment	78,377
Available-for-sale investments	2
Deferred tax assets	130
Inventories	213,892
Trade and other receivables	413,113
Pledged bank deposits	125,878
Bank balances and cash	13,268
Trade and other payables	(296,769)
Shareholders' loan	(216,092)
Bank borrowings	(118,574)
Tax payable	(19,128)
Deferred tax liabilities	(3,454)
Non-controlling interests	(4,636)
	186,007

	HKD'000
Consideration	436,045
Less: Repayment of shareholders' loan	(216,092)
Net assets disposed of	(186,007)
Release of translation reserve	82,144
Gain on disposal	116,090

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary was as follows:

	HKD'000
Cash consideration	436,045
Consideration receivables	(6,846)
Bank balances and cash disposed of	(13,268)
Repayment to a non-controlling interest	(2,796)
	413,135

(b) During the year, the Group also disposed of some other subsidiaries. The net assets of these subsidiaries at the date of disposal were as follow:

	HKD'000
Net assets disposed of:	
Property, plant and equipment	422
Investment properties	21,541
Intangible assets	38,758
Club debentures	1,553
Inventories	1,258
Trade and other receivables	7,757
Amount due from a related company	2,893
Bank balances and cash	6,138
Trade and other payables	(6,686)
Amount due to a related company	(25,212)
Shareholders' loan	(19,658)
Deferred tax liabilities	(5,359)
	23,405

	HKD'000
Consideration	48,549
Less: Repayment of shareholders' loan	(19,658)
Net assets disposed of	(23,405)
Release of translation reserve	1,865
Gain on disposal of subsidiaries	7,351

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of these subsidiaries was as follows:

	HKD'000
Cash consideration	48,549
Consideration receivables	(21,415)
Bank balances and cash disposed of	(6,138)
	20,996

13. ACQUISITION OF SUBSIDIARIES

On 4 June 2013, the Group completed an acquisition of the remaining 50% equity interests in China Ocean it did not own for a consideration of HKD11,801,000. The total cash consideration of USD15,500,000 (approximately HKD120,150,000) includes the consideration for the purchase of the shareholder's loan owed by China Ocean to the vendor of HKD108,349,000. The acquisition was made as the Directors believe the growth prospects for trademark rights licensing business are bright and can widen the Group's revenue base.

Upon completion of the acquisition, the Group's 50% interest in joint venture already held was treated as being disposed of and immediately reacquired at fair value on the date of obtaining control. As a result, a fair value gain on re-measurement of equity in a joint venture of HKD5,159,000 has been recognised and is included in other income in the consolidated statement of comprehensive income.

	HKD'000
Fair value of assets and liabilities acquired:	
Property, plant and equipment	1,006
Intangible assets	248,841
Loan receivables	3,106
Inventories	5,173
Trade and other receivables	38,940
Amounts due from related companies	5,062
Bank balances and cash	3,067
Trade and other payables	(40,053)
Amounts due to holding companies	(201,367)
Amounts due to related companies	(6,896)
Deferred tax liabilities	(20,285)
	36,594

	HKD'000
Bargain purchase gain arising on acquisition:	
Cash consideration for additional 50% equity interest	11,801
Add: fair value of the 50% equity interest already held	11,801
Total consideration	23,602
Less: net assets acquired	(36,594)
	(12,992)

	HKD'000
Net cash outflow arising on acquisition:	
Cash consideration	120,150
Bank balances and cash acquired	(3,067)
	117,083

Gain on bargain purchase of approximately HKD12,992,000 was recognised upon completion of the acquisition of China Ocean. The gain on a bargain purchase on acquisition was mainly attributable to increase in fair value of intangible assets acquired. The gain on bargain purchase was included in other income in the consolidated statement of comprehensive income.

The fair value of the 50% equity interest in China Ocean, an unlisted company, already held by the Group was estimated by reference to the purchase price paid for acquisition of its additional 50% equity interest by the Group.

Loss from continuing operations for the year includes a loss of HKD28,987,000 attributable to the business of China Ocean and its subsidiaries which generated total revenue of HKD33,197,000 for the year since its acquisition.

Had the acquisition been completed on 1 January 2013, the Group's revenue from continuing operations for the year would have been HKD238,201,000 and loss for the year from continuing operations would have been HKD187,493,000. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2013, nor is it intended to be a projection of future results.

The fair value of loan receivables and trade and other receivables at the date of acquisition, equivalent to its gross contractual amount as shown above, was considered as fully recoverable.

14. COMPARATIVE FIGURES

As a result of the disposal of the footwear manufacturing business during the year, the footwear manufacturing is identified as discontinued operations for resources allocation and performance assessment by the chief operating decision-maker. Accordingly, certain comparative figures have been re-presented to conform to current year's presentation.

PROPOSED FINAL DIVIDEND

The Board does not recommend payment of a final dividend (2012: Nil) to shareholders.

CLOSURE OF REGISTER OF MEMBERS

Register of Members will be closed from Monday, 9 June 2014 to Wednesday, 11 June 2014 (both days inclusive), during which period no transfer of shares will be effect. In order to qualify for entitlement to vote at the 2013 Annual General Meeting, all transfer of shares accompanied by the relevant share certificates must be lodged with the branch share registrar of the Company in Hong Kong, Tricor Tengis Limited on the Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong ("Share Registrar") for registration no later than 4:30 p.m. on Friday, 6 June 2014.

CORPORATE GOVERNANCE

The Company has complied with the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules ("CG Code") throughout the year ended 31 December 2013, only with deviation from code provision A.4.1 of the CG Code.

Under code provision A.4.1, non-executive directors should be appointed for a specific term and are subject to re-election. Directors (including non-executive Directors) were not appointed for specific term but are subject to retirement by rotation and re-election at annual general meeting in accordance with Bye-law 87 of the Bye-laws of the Company.

Under the code provision A.6.7, independent non-executive and other non-executive directors should attend general meetings. Two of the independent non-executive directors attended the annual general meeting held on 11 June 2013. At each of the special general meetings held on 28 May and 28 August 2013, one independent and non-executive director together with one non-executive director were present on each occasion. At the special general meeting held on 26 September 2013, one non-executive director was present, others were not present on those occasions due to other commitments.

Code Provision A.5.6 provides that the nomination committee should have a policy concerning diversity of board members, and should disclose the policy or a summary of the policy. The nomination committee of the Company ("Nomination Committee") considers board diversity encourages creativity and innovation.

In November 2013 and in January 2014, Mr. Shum Pui Kay, Mr. Wah Wang Kei Jackie and Mr. Chan Kar Lee Gary were appointed as independent non-executive directors and executive director of the Company. The spectrum of the Board was thus further enhanced by the addition of a mixture of professional skills, experience and diversity of perspective.

Audit Committee

The audit committee of the Company ("Audit Committee") comprises non-executive Directors of the Company ("Non-executive Directors"), amongst which 2 are independent. The Audit Committee has reviewed with the management of the Company and the external auditor, BDO Limited, the accounting principles and practices adopted by the Group and also discussed auditing, internal controls and financial reporting matters including the review of the audited consolidated financial statements for the year ended 31 December 2013 of the Group.

Remuneration Committee

The remuneration committee of the Company ("Remuneration Committee") comprises 2 independent Non-executive Directors and advises the Board on the emolument policies of Directors and senior management.

Nomination Committee

The nomination committee of the Company ("Nomination Committee") comprises 3 independent Non-executive Directors and offers guidance to the Board on the appointment or re-appointment of Directors, succession planning, in particular, the Chairman and the Chief Executive.

Terms of reference

The terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee, explaining their roles and the authorities delegated to them by the Board, are available on request and included on the website of the Company.

Board of Directors

At an annual general meeting of the Company held on Tuesday, 11 June 2013, Messrs. Sze Sun Sun Tony, Ho Shing Chak, Ms. Chen Fang Mei and Dr. Ho Ting Seng retired and were re-elected as Directors.

As from 11th June 2013 and up to the date of this announcement, the Board comprises:

Executive Director
Mr. Chan Ting Chuen *(Chairman)*
Mr. Sze Sun Sun Tony *(Deputy Chairman and Managing Director)*
Mr. Chang Tsung Yuan *(Deputy Chairman)*
Ms. Chen Fang Mei
Mr. Chan Lu Min
(resigned on 31 August 2013)
Dr. Ho Ting Seng
(resigned on 22 October 2013)
Mr. Chan Kar Lee Gary
(appointed on 2 January 2014)

Non-executive Director
Mr. Li I Nan

Independent Non-executive Director
Mr. Cheng Kar Shing
Mr. Ho Shing Chak
Mr. Feng Lei Ming
(resigned on 22 October 2013)
Mr. Huang Shenglan
(resigned on 27 November 2013)
Mr. Shum Pui Kay
(appointed on 27 November 2013)
Mr. Wah Wang Kei Jackie
(appointed on 27 November 2013)

GENERAL INFORMATION

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated statement of financial position and the related notes thereto for the year ended 31 December 2013 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. BDO Limited on the preliminary announcement.

ANNUAL GENERAL MEETING

The 2013 Annual General Meeting will be held at the Boardroom on the 10th Floor of Island Place Tower, 510 King's Road, North Point, Hong Kong on Wednesday, 11 June 2014 at 9:30 a.m. and the notice of annual general meeting will be published and dispatched to Shareholders in a manner as required by the Listing Rules of the Stock Exchange of Hong Kong Limited.

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

For the year ended 31 December 2013, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PUBLICATIONS OF DETAILED RESULTS

The Annual Report containing the audited consolidated financial statements and notes to the financial statements for the year ended 31 December 2013 ("2013 Annual Report") will be published on both the websites of the Company (www.symphonyholdings.com) and the Exchange (www.hkex.com.hk). Shareholders shall receive copies of the 2013 Annual Report before the end of April 2014.

By order of the Board
Symphony Holdings Limited
Chan Ting Chuen
Chairman

Hong Kong, 21 March 2014

As at the date of this announcement, the directors of the Company are:

Executive Directors:	Mr. Chan Ting Chuen *(Chairman)* Mr. Sze Sun Sun Tony *(Deputy Chairman & Managing Director)* Mr. Chang Tsung Yuan *(Deputy Chairman)* Ms. Chen Fang Mei Mr. Chan Kar Lee Gary
Non-executive Director:	Mr. Li I Nan
Independent non-executive Directors:	Mr. Cheng Kar Shing Mr. Ho Shing Chak Mr. Shum Pui Kay Mr. Wah Wang Kei Jackie