

CHAIRMAN'S STATEMENT



Despite the SARS epidemic throughout China and a great part of Southeast Asia in the first half of 2003, I am pleased to report that it has been another excellent 12 months for Symphony, with the Group achieving record revenue and earnings levels. Turnover rose by 26.0% to HK\$1,183.6 million (2002: HK\$939.5 million). Net profits rose 196.1% in fiscal 2003 to HK\$256.7 million, which included a contribution of approximately HK\$134 million arising on disposal of our interest in Converse Inc..

A final dividend of HK\$0.06 per share (2002: HK\$0.0175 per share) has been recommended, making the full-year dividend per share HK\$0.08 compared with HK\$0.0575 in 2002. In addition, a bonus issue of one new share for every ten existing shares held has been proposed, as described below.

Such strong growth and development would not have been possible without the commitment and vision of our management team and efficient line production staff. I therefore wish to express my deep appreciation and thanks for all their hard work.

We will continue to count on that commitment as we move forward in realizing our growth strategy goals. Our three main strategies are to focus on core business growth, expansion through acquisition, and continual improvement in quality and efficiency.

Given all our hard work in the past year, the Group has become one of the largest branded athletic and casual footwear manufacturers in Asia. Our turnover growth was driven by our relentless drive for operational efficiency improvement, quality and reliability to our customers, careful capacity growth planning and the general global economic recovery in the second half of 2003, led principally by the US economy.

Symphony has enjoyed success in expansion through acquisition, and this remains our key capacity expansion strategy. Our original production facility is in Panyu, with 8 production lines. In 2000, we successfully negotiated a long term lease of our factory in Zhongshan, under which the factory was built at the cost of the lessor. This added a further 8 production lines. Then, in 2003, we completed the purchase of the Zhongshan factory and land, paving the way for further expansion in the future. Also during 2003, we acquired an 80% interest in another 8 production lines in Dongguan.

In each case, we have added new production lines after our order books have grown and stabilized to a point that we are producing at or near full capacity with our existing lines. Obviously, at the initial period following merger, much effort has to be devoted to making the acquisition work and dealing with existing problems at the acquired plants. However, we have succeeded in adding post-acquisition value by installing our best practices, planning and efficient work processes at new facilities, so that they may return a much higher value to us.

During 2003, we sold our minority interest in Converse Inc. to Nike. However, we still maintain an excellent relationship with Converse, which remains an important customer to us. That disposal brought to Symphony a profit of approximately HK\$134 million for 2003.

The Group is strongly committed to enhancing corporate governance through effective communication and transparency in all our operations.

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PROPOSED BONUS ISSUE OF SHARES

The board of directors proposes that a bonus issue of shares be made to shareholders whose names appear on the register of members on 12th May, 2004, in the proportion of one bonus share for every ten existing shares held. The bonus issue is subject to the passing of the appropriate resolution at the forthcoming annual general meeting. The purpose of the bonus issue is to capitalize the extraordinary gains arising from the disposal of the Group's interest in Converse Inc. to Nike. The bonus shares will be credited as fully paid and will rank pari passu in all respects with the existing issued shares with effect from the date of issue. No fractional shares will be issued but will be aggregated and sold for the benefit of the Company.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from 6th May, 2004 to 12th May, 2004, both dates inclusive, during which period no share transfers will be effected. In order to qualify for the proposed final dividend and bonus issue, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's branch share registrars in Hong Kong, Tengis Limited, at Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong for registration no later than 4:30 p.m. on 5th May, 2004.

AMENDMENT OF BYE-LAWS

In line with new regulatory requirements, a special resolution will be proposed at the forthcoming annual general meeting to be held on 12th May, 2004 for the Company to adopt new bye-laws to reflect changes to the law and recent amendments to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

LOOKING FORWARD

Looking forward to the next 12 months, our focus will continue to be on our core business as we progress along our defined growth strategy in the three key areas of core business focus, planned expansion through acquisition, and continual improvement of efficiency and quality. With interest rates at a 45 year low in the United States and elsewhere, we are confident that the global economic recovery will continue with strength, which in turn will continue to boost demand for branded footwear.

Further, as the Chinese people become more affluent, demand for branded footwear in China will grow faster than any other major market in the world, whilst at the same time, major global brands will step up their marketing efforts and manufacturing support to capitalize on that growth. Starting from such a low base, and with such a large population and such phenomenal economic growth, we expect huge potentials for Symphony in the China market. China is gaining increasing prominence in the sports world too. The 2008 Olympics will be held in Beijing, whilst China is a strong contender to host other important global and regional sports events. All this will help drive growth in demand for athletic footwear. Since our production capabilities are already located in China, we are in a position to serve the China market and global brands penetrating that market. Therefore, we are working on building significant competitive advantage in that area, which we call "local-to-local" business model. Through efficient production cycle planning with our global partners,

and strong logistics capability, we plan to be a leader in that area. Because we are able to deliver the right product quality at the right time and at the right place and because we always stand by our commitments, we are the preferred partner for major global brands over local manufacturers.

As we are located in China, and at the same time we are aware of global design trends, we are in a unique position to provide the right feedback on local preferences and tastes to our major global brand partners. We will also supplement this by building design capabilities in the areas of production processes and material selection to meet that market challenge.

As to operating efficiency, there remains significant room for improvement throughout our entire supply chain, from inbound raw materials to the selling and distribution process. This will be a key area of our focus for 2004.

Future acquisitions will be focused on sports and casual footwear manufacturing facilities that will add to our production capacity in response to growing demand. Where the acquired factories have other lines of shoe related business, that will also provide us with the opportunity to expand horizontally into other shoe manufacturing activities.

We will be sponsoring an annual Symphony Footwear Design Contest. This program is designed to enhance our corporate identity in our operational base, and also promote inventiveness and creativity among young people in China. In turn, it would also allow us to tap into the pulse of evolving tastes and trends in the world's most important and fastest growing market for footwear.

To sum up, our objective remains unchanged: to maintain our position as one of Asia's largest manufacturers of branded footwear. The coming year will present many exciting opportunities, supported by a vibrant economic environment. Against this background, the Group will strive to deliver continued growth and enhanced value for our shareholders in 2004.

On behalf of our Board of Directors, I wish to thank all our customers, suppliers and shareholders for their continuous support. We would also like to thank our team of dedicated staff for their invaluable service and contribution throughout the year.

Li Kwok Lung, Alfred Ronald
Chairman

Hong Kong, 15th April, 2004