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SYMPHONY HOLDINGS LTD.

新豐集團有限公司*

(Stock Code: 01223)

(incorporated in Bermuda with limited liability)

DISCLOSEABLE TRANSACTION

**CONDITIONAL AGREEMENT
FOR ACQUISITION OF
JIN DRAGON HOLDINGS LIMITED
AND CERTAIN RELATED INDEBTEDNESS**

THE ACQUISITION

After Stock Exchange trading hours on 12 February 2014, the Buyer (a wholly-owned subsidiary of Symphony) and Mr. Cheng entered into the SPA, pursuant to which, amongst other things, the Buyer has conditionally agreed to purchase and Mr. Cheng has conditionally agreed to sell the Jin Dragon Sale Shares and the Shareholder's Loans for an aggregate consideration of HK\$146,157,119. The Jin Dragon Sale Shares represent 100% of the issued share capital of Jin Dragon. The Consideration shall be satisfied as to HK\$20,877,119 in cash and as to HK\$125,280,000 by the allotment and issue of the Consideration Shares (representing approximately 12.41% of the existing issued share capital of Symphony and 11.04% of Symphony's share capital as enlarged by the issue of the Consideration Shares).

* For identification only

LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction for Symphony under Chapter 14 of the Listing Rules.

Completion is subject to the satisfaction of conditions precedent and the Executive not determining that the issue of the Consideration Shares results in an obligation to make a mandatory offer under Rule 26 of the Takeovers Code and the Completion may or may not proceed. Symphony Shareholders and potential investors in Symphony are advised to exercise caution when dealing in the Symphony Shares.

After Stock Exchange trading hours on 12 February 2014, the Buyer (a wholly-owned subsidiary of Symphony) and Mr. Cheng entered into the SPA, pursuant to which, amongst other things, the Buyer has conditionally agreed to purchase and Mr. Cheng has conditionally agreed to sell the Jin Dragon Sale Shares and the Shareholder's Loans for an aggregate consideration of HK\$146,157,119.

THE SPA

Date:

12 February 2014

Parties:

- (i) Mr. Cheng, as seller; and
- (ii) the Buyer, as purchaser.

Assets to be acquired:

Pursuant to the SPA, the Buyer has conditionally agreed to purchase and Mr. Cheng has conditionally agreed to sell the Jin Dragon Sale Shares and the Shareholder's Loans, free from encumbrances together with all accrued benefits and rights attached thereto and all dividends declared after 31 December 2013 in respect of the Jin Dragon Sale Shares. Further details of Jin Dragon are set out in the paragraph headed "Information on the Jin Dragon Group" below.

Consideration:

The Consideration for the Jin Dragon Sale Shares and the Shareholder's Loans is HK\$146,157,119.

The Consideration was determined after arm's length negotiations between the Buyer and Mr. Cheng based on the consolidated net asset value of the Jin Dragon Group (of HK\$23,826,967) plus the amount of the Shareholder's Loans (of HK\$107,330,152) as at 31 December 2013, plus a premium (of HK\$15,000,000).

The Consideration is to be satisfied as follows : -

- (i) not later than the 5th Business Day after the date of the SPA, the Buyer shall pay a deposit of HK\$20,877,119 (the “**Deposit**”) in cash. If the SPA does not become unconditional or is terminated or rescinded, Mr. Cheng shall immediately on demand refund the Deposit to the Buyer without interest. If Mr. Cheng is in breach of the terms of the SPA, Mr. Cheng shall immediately on demand refund the Deposit plus interest thereon at the rate of 12% per annum calculated from the date of payment of the Deposit until, but excluding, the refund date of the Buyer; and
- (ii) HK\$125,280,000 is to be paid at Completion and satisfied by the issue to Mr. Cheng or his nominee of the Consideration Shares credited as fully paid at a price of HK\$0.48 each.

Consideration Shares:

The Consideration Shares will be issued under the general mandate approved by Symphony Shareholders on 11 June 2013 and represent approximately 12.41% of the existing issued share capital of Symphony and approximately 11.04% of its share capital as enlarged by the issue of the Consideration Shares. No Symphony Shares have otherwise been issued or agreed to be issued under that mandate since its grant.

Mr. Cheng shall not sell, transfer or assign any Consideration Shares or agree to do so except as follows : -

- (i) Mr. Cheng shall not sell, transfer or assign any Consideration Shares or agree to do so before the day that is 180 days from and excluding the issue of the Consideration Shares;
- (ii) for the period thereafter to the first anniversary of the issue of the Consideration Shares, Mr. Cheng may sell, transfer or assign, or agree to do so, up to 130,500,000 Consideration Shares; and
- (iii) Mr. Cheng may sell, transfer or assign the balance of the Consideration Shares or agree to do so at any time after the second anniversary of the issue of the Consideration Shares.

The Consideration Shares shall rank pari passu with all other Symphony Shares in issue as at the date of allotment and issue. Application will be made to the Listing Committee of the Stock Exchange for the listing of, and permission to, deal in the Consideration Shares.

The issue price of HK\$0.48 per Consideration Share was determined after arm’s length negotiations with reference to the prevailing market price of the Symphony Shares and represents:

- (i) a premium of approximately 10.34% over the closing price of the Symphony Shares of HK\$0.435 each on 12 February 2014 (being the date of the SPA);

- (ii) a premium of approximately 13.74% over the average of the closing prices of the Symphony Shares of HK\$0.422 each for the five trading days up to and including the date of the SPA;
- (iii) a discount of approximately 57.1% to the unaudited net asset value per Symphony Share of approximately HK\$1.12 (based on the unaudited equity attributable to owners of Symphony of approximately HK\$1,465.0 million as at 30 June 2013 as disclosed in the interim report of Symphony and 1,308,033,580 Symphony Shares in issue as at that date).

Conditions of the Acquisition:

Completion is conditional upon satisfaction of the following conditions : -

- (i) the approval by the SFC of the Buyer as a substantial shareholder of China Rise Securities Company Limited (a wholly-owned subsidiary of Jin Dragon licensed to carry out type 1 regulated activity under the SFO) under Section 132 of the SFO;
- (ii) the Listing Committee of the Stock Exchange granting the listing of, and permission to, deal in the Consideration Shares;
- (iii) the report on the audited consolidated financial statements of the Jin Dragon Group for the year ending 31 March 2014 being signed by BDO Limited, or such other accountancy firm as may from time to time be the auditors of Symphony and such audited consolidated financial statements of the Jin Dragon Group being delivered to the Buyer; and
- (iv) the money lenders licence of China Rise Finance Company Limited (a wholly-owned subsidiary of Jin Dragon) under the Money Lenders Ordinance that expires on 6 February 2014 having been renewed.

Completion:

Completion is to take place on the 10th Business Day after satisfaction of the conditions.

Termination:

In the event that before Completion, the Executive issues in writing a determination that the issue of the Consideration Shares results in an obligation to make a mandatory offer under Rule 26 of the Takeovers Code, this Agreement shall automatically be rescinded *ab initio*.

The Buyer undertakes to use its best endeavours to procure the fulfilment of the above conditions (i) & (ii), and Mr. Cheng undertakes to use its best endeavours to procure the fulfilment of conditions (iii) & (iv) by 30 May 2014. If the condition in (i) above has not been fulfilled by 30 May 2014, such date shall be extended automatically to 30 November 2014. The SPA shall terminate if the conditions have not been fulfilled by 30 November 2014 or any other date as mutually agreed in writing by the parties, save that the rights and liabilities of the parties which have accrued prior to termination shall continue to subsist.

If prior to Completion, amongst other things : -

- (i) it becomes apparent that any of the warranties given by Mr. Cheng in the SPA is or has become untrue or misleading; or
- (ii) there is any breach or non-fulfilment by Mr. Cheng of any obligations under the SPA which is incapable of remedy or, if capable of remedy, is not remedied by Mr. Cheng by 30 May 2014 (or 30 November 2014 as the case may be) or (if earlier) within three days after notice thereof from the Buyer requiring it to be remedied; or
- (iii) there is any change in the business, operations, assets, liabilities, position (financial, trading or otherwise), profits or prospects of the Jin Dragon Group that results or may result in a material adverse effect,

the Buyer is entitled to elect not to complete the purchase of the Jin Dragon Sale Shares and the Shareholder's Loans, and if it does so the SPA will thereupon automatically terminate.

In case of termination due to Mr. Cheng in breach of the SPA, Mr. Cheng shall immediately on demand refund the Deposit plus interest thereon at the rate of 12% per annum (from and including the date of payment of the Deposit to and excluding the day it is refunded) to the Buyer.

Make good and indemnity:

Mr. Cheng is obliged on demand of the Buyer:-

- (i) if any of the A/R are not repaid within 18 months after Completion, to pay the Buyer the amount of any A/R outstanding 18 months after Completion in full in cash; and/or
- (ii) if the Adjusted NAV at Completion falls short of HK\$131,157,119, to pay the Buyer the full amount of the shortfall in cash; and/or
- (iii) if the Adjusted NAV at the date of the first anniversary of Completion falls short of HK\$146,157,119, to pay the Buyer the full amount of the shortfall in cash; and/or
- (iv) if the Adjusted NAV at the date of the second anniversary of Completion falls short of HK\$161,157,119, to pay the Buyer the full amount of the shortfall in cash; and/or
- (v) if the Adjusted Net Profits for the year ending on the date of the first anniversary of Completion fall short of HK\$15 million, to pay the Buyer the full amount of the shortfall in cash; and/or
- (vi) if the Adjusted Net Profits for the year ending on the date of the second

anniversary of Completion fall short of HK\$15 million, to pay to the Buyer the full amount of the shortfall in cash.

In each of the cases above, the payment should be made by Mr. Cheng within 7 days after the relevant demand is made by the Buyer.

EFFECTS ON SHAREHOLDING STRUCTURE OF SYMPHONY

The following table sets out the shareholding structure of Symphony (i) as at the date of this announcement; and (ii) upon Completion and immediately after the allotment and issue of the Consideration Shares:

	As at the date of this announcement		Upon Completion and immediately after the allotment and issue of the Consideration Shares	
	<i>Number of Symphony Shares</i>	<i>Approximate %</i>	<i>Number of Symphony Shares</i>	<i>Approximate %</i>
Well Success Investment Limited (<i>Note 1</i>)	664,677,468	31.60	664,677,468	28.11
Mr. Cheng	-	-	261,000,000	11.04
Mr. Chang Tsung Yuan (<i>Note 2</i>)	4,500,000	0.21	4,500,000	0.19
Mr. Chan Ting Chuen (<i>Note 3</i>)	8,950,000	0.43	8,950,000	0.38
	678,127,468	32.24	939,127,468	39.72
<i>Public Symphony Shareholders</i>	1,425,556,112	67.76	1,425,556,112	60.28
Total	2,103,683,580	100.00	2,364,683,580	100.00

Notes:

- Well Success Investment Limited is directly interested in 664,677,468 Symphony Shares and is owned as to 40% by First Dynamic International Limited, 40% by Frensham Investments Limited and 20% by Mr. Chang Tsung Yuan.*
- Mr. Chang Tsung Yuan is an executive Director and deputy chairman of the board of Directors. He is directly interested in 4,500,000 Symphony Shares and holds 20% of the issued share capital of Well Success Investment Limited.*
- Mr. Chan Ting Chuen is an executive Director and chairman of the board of Directors. He is directly interested in 8,950,000 Symphony Shares and is a*

substantial shareholder of Royal Pacific Limited, which holds more than one-third of the issued share capital of First Dynamic International Limited.

INFORMATION ON MR. CHENG

At the date of this announcement, Mr. Cheng owns the entire issued share capital of Jin Dragon. To the best of the Directors' knowledge, information and belief after making reasonable enquiries, Mr. Cheng is a third party independent of Symphony and its connected persons (as defined under the Listing Rules).

INFORMATION ON THE JIN DRAGON GROUP

Jin Dragon is a company incorporated in the BVI with limited liability and is the holding company of the Jin Dragon Group. The Jin Dragon Group is principally engaged in the provision of financial services including (i) securities broking; (ii) margin financing; (iii) underwriting and placing; (iv) consultancy; and (v) money lending.

The unaudited consolidated financial information of the Jin Dragon Group for its last two financial years ended 31 March 2012 and 31 March 2013 were as set out below : -

	Year ended 31 March 2012 <i>HK\$'million</i> (unaudited)	Year ended 31 March 2013 <i>HK\$'million</i> (unaudited)
Turnover	35.9	45.6
Net profits/(losses) before taxation and extraordinary items	13.6	(11.0)
Net profits/(losses) after taxation and extraordinary items	11.4	(12.4)

During the year ended 31 March 2013, the Jin Dragon Group incurred an impairment loss on investments/loans receivable of approximately HK\$32.5 million mainly relating to an outstanding loan receivable being disposed of prior to the Completion which is non-recurring event. Had such impairment loss been excluded, the Jin Dragon Group would have recorded a net profit before tax of approximately HK\$21.5 million and net profit after tax of approximately HK\$20.1 million respectively.

REASONS FOR THE ACQUISITION

The principal activities of the Group are (i) retailing and sourcing; (ii) property investment and holding in Hong Kong and the PRC; (iii) management and operation of outlet mall in the PRC; and (iv) development and management of “PONY” brand. The Acquisition will enable the Group to broaden its business activities into the financial services sector.

After Completion, Jin Dragon will become a wholly-owned subsidiary of Symphony and its accounts will be consolidated into the accounts of the Group.

The Directors believe that the terms of the Acquisition are fair and reasonable and in the interests of Symphony Shareholders as a whole.

LISTING RULES IMPLICATIONS

The Acquisition constitutes a discloseable transaction for Symphony under Chapter 14 of the Listing Rules.

Completion is subject to the satisfaction of conditions precedent and the Executive not determining that the issue of the Consideration Shares results in an obligation to make a mandatory offer under Rule 26 of the Takeovers Code and may or may not proceed. Symphony Shareholders and potential investors in Symphony are advised to exercise caution when dealing in the Symphony Shares.

Further announcement(s) will be made if and when appropriate.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms have the following meanings:

“Acquisition”	the proposed acquisition of the Jin Dragon Sale Shares and Shareholder’s Loans by the Buyer from Mr. Cheng pursuant to the SPA
“Adjusted NAV”	at any time means the consolidated net asset value of the Jin Dragon Group plus the amount of the Shareholder’s Loans (which amount shall include, for the avoidance of doubt, the amount of Shareholder’s Loans that are waived or assigned) minus the amount of any Buyers Injection
“Adjusted Net Profits”	at any time means the consolidated net profits (after taxation) of Jin Dragon as shown in its Completion Accounts, with deduction of an interest of 10% per annum on Buyers Injection outstanding at any time during the

period covered by the accounts in question

- “A/R” the sums owing to the members of the Jin Dragon Group (other than sums owed exclusively by other members of the Jin Dragon Group) at Completion including but not limited to those taken into account for the purposes of the unaudited management accounts of the Jin Dragon Group at 31 December 2013
- “Associates”
- (a) in respect of any body corporate, any other body corporate, unincorporated entity or person directly or indirectly controlling, directly or indirectly controlled by or under direct or indirect common control with, such body corporate; and
 - (b) in respect of any individual, his relatives and any body corporate, unincorporated entity or other person directly or indirectly controlling, directly or indirectly controlled by or under direct or indirect common control with, such individual or his relative,
- and for this purpose “control” means a holding or the right to determine how votes are cast in respect of more than 50% of the voting rights of such body corporate
- “Business Day(s)” a day (excluding Saturdays and Sundays) on which banks generally are open in Hong Kong for the transaction of normal banking business
- “Buyer” Essential Holdings Limited, a company incorporated with limited liability in the BVI and a wholly-owned subsidiary of Symphony
- “Buyers Injection” the aggregate of :-
- (a) any amount advanced by the Buyer and/or its Associates or any of them to any member of the Jin Dragon Group at any time, including but not limited to any amount advanced by way of loan or capital injection (whether or not permanent); and
 - (b) any amount for which the Buyer and/or its Associates is actually or contingently liable under or in respect of any guarantee, indemnity, counter-security or other assurance against financial loss given by any of them to any person relating to any member of the Jin Dragon Group at any time

“BVI”	British Virgin Islands
“Completion”	completion of the Acquisition under the SPA
“Completion Accounts”	the unaudited consolidated management accounts of the Jin Dragon Group at the Completion Date
“Completion Date”	the date when the Completion takes place
“Consideration”	the consideration payable for the Acquisition
“Consideration Shares”	261,000,000 Symphony Shares to be issued as part of the Consideration
“Director(s)”	director(s) of Symphony
“Executive”	Executive means the Executive Director of the Corporate Finance Division of the SFC or any delegate of the Executive Director
“Group”	Symphony and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Jin Dragon”	Jin Dragon Holdings Limited, a company incorporated in the BVI with limited liability
“Jin Dragon Group”	Jin Dragon and its subsidiaries
“Jin Dragon Sale Shares”	3 ordinary shares of US\$1.0 each in the capital of Jin Dragon representing the entire issued share capital of Jin Dragon as at the date of the SPA
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Cheng”	Mr. Cheng Tun Nei, a third party independent of Symphony and its connected persons (as defined under the Listing Rules)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“SFC”	the Securities and Futures Commission

“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder’s Loans”	the entire amounts (if any) owed to Mr. Cheng and/or any of his Associates by any of the Jin Dragon Group company (whether alone or with any other person) immediately before Completion on any account whatsoever and whether or not then due for payment
“SPA”	the conditional sale and purchase agreement dated 12 February 2014 entered into between the Buyer and Mr. Cheng in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Symphony”	Symphony Holdings Limited, a company incorporated in Bermuda with limited liability, the issued shares of which are listed on the Main Board of the Stock Exchange (Stock code: 01223)
“Symphony Shares”	ordinary share(s) of HK\$0.10 each in the share capital of Symphony
“Symphony Shareholder(s)”	holder(s) of the Symphony Share(s)
“Takeovers Code”	Hong Kong Code on Takeovers and Mergers
“US\$”	United States dollars, the lawful currency of the United States of America

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

Hong Kong, 12 February 2014

At the date of this announcement, the Directors 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