
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed dealer, bank manager, solicitor, professional accountant, or other professional adviser.

If you have sold or transferred all your shares in **Symphony Holdings Limited**, you should at once hand this circular to the purchaser or transferee, or to the bank, licensed dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or transferee.

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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1223)

DISCLOSEABLE TRANSACTION

ACQUISITION OF MISTO WORLDWIDE LIMITED

* *For identification purposes only*

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DEFINITIONS

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

| | |
|-----------------------|--|
| “Accounts” | the audited combined accounts of the four operating subsidiaries of MWL comprising a combined income statement of the four operating subsidiaries of MWL for the financial year ended on the Accounts Date and a combined balance sheet of the four operating subsidiaries of MWL as at the Accounts Date |
| “Accounts Date” | 31st December, 2003 |
| “Acquisition” | the acquisition of the Sale Share being 100% of MWL from MOL described herein |
| “Adjustment Date” | the date when MOL delivers to WIGL the Completion Accounts which is to be on or before 31st August, 2004 |
| “Agreement” | the agreement for the Acquisition dated 12th July, 2004 made between MOL and WIGL |
| “Business Day” | a day other than a “general holiday” as defined in section 2 of the General Holidays Ordinance (Cap. 149 of the Laws of Hong Kong) or one of the days specified from time to time in the Schedule to that Ordinance as being “general holidays” under section 3 thereof (excluding Saturday and any day on which a tropical cyclone warning No. 8 or above is hoisted or remains hoisted between 9:00 a.m. and 12:00 noon and is not lowered at or before 12:00 noon or on which a “black” rainstorm warning signal is hoisted or remains in effect between 9:00 a.m. and 12:00 noon and is not discontinued at or before 12:00 noon) on which licensed banks in Hong Kong are generally open for business |
| “Company” | Symphony Holdings Limited, a company incorporated with limited liability in Bermuda and whose shares are listed on the Stock Exchange of Hong Kong Limited |
| “Completion” | completion of the sale and purchase of the Sale Share in accordance with the provisions of the Agreement |
| “Completion Accounts” | the unaudited combined profit and loss accounts of the four operating subsidiaries of MWL for the accounting period from 1st January, 2004 to 30th June, 2004 and the unaudited combined balance sheet of the of the four operating subsidiaries of MWL as at 30th June, 2004 |
| “Consideration” | US\$6,800,000 (approximately HK\$52,972,000) being the consideration payable for the purchase of the Sale Share |

DEFINITIONS

| | |
|---------------------------|---|
| “Deposit” | a deposit representing 30% of the Consideration paid by WIGL to MOL upon the signing of the Agreement |
| “Directors” | the directors of the Company |
| “Independent Third Party” | an independent third party not connected with the directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or their respective associates as “associates” is defined in the Listing Rules |
| “Latest Practicable Date” | 3rd August, 2004, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited |
| “MOL” | Minotaur Overseas Limited, an investment holding company incorporated in British Virgin Islands with limited liability and an Independent Third Party |
| “MWL” | Misto Worldwide Limited, a company incorporated in the British Virgin Islands with limited liability and an Independent Third Party |
| “MWL Group” | the group of companies comprising MWL and its subsidiaries |
| “Sale Share” | one issued and fully paid share beneficially owned by MOL, representing the entire issued share capital of MWL as at the date of the Agreement and at Completion |
| “Share(s)” | ordinary share(s) of HK\$0.25 each in the capital of the Company |
| “SFC” | the Securities and Futures Ordinance (Chapter 333 of the Laws of Hong Kong) |
| “Warranties” | the representations, warranties and undertakings made or given by MOL in the Agreement (including Schedule 2) |
| “WIGL” | Wise Investment Group Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly owned subsidiary of the Company |

For the purpose of this circular, the exchange rate adopted is for translation of Hong Kong dollars to US dollars at US\$1 to HK\$7.79.

LETTER FROM THE BOARD



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

(Incorporated in Bermuda with limited liability)

(Stock Code: 1223)

Directors:

Mr. Li Kwok Lung, Alfred Ronald (*Chairman*)

Mr. Sze Sun Sun, Tony (*Deputy Chairman*)

Mr. Chan Ting Chuen (*Managing Director*)

Mr. Ku Edward Y.

Mr. Chan Lu Min

Mr. Li I Nan[#]

Mr. Cheng Kar Shing *

Mr. Feng Lei Ming *

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Hamilton HM11

Bermuda

Head Office and Principal Place

of Business in Hong Kong:

10th Floor, Island Place Tower

510 King's Road, North Point

Hong Kong

[#] *Non-Executive Director*

* *Independent Non-Executive Director*

6th August, 2004

To the Shareholders,

DISCLOSEABLE TRANSACTION – ACQUISITION OF MISTO WORLDWIDE LIMITED

INTRODUCTION

The Company announced on 16th July, 2004 that on 12th July, 2004, WIGL, a wholly-owned subsidiary of the Company, had conditionally agreed to purchase from MOL, 100% of MWL, at a consideration of US\$6,800,000 (approximately HK\$52,972,000) (subject to adjustment). The purpose of this circular is to provide you with further details of the Acquisition.

THE AGREEMENT

A summary of the Agreement is as follows:

DATE

12th July, 2004

* *For identification purposes only*

LETTER FROM THE BOARD

CONSIDERATION

The total consideration for the Acquisition was US\$6,800,000 (equivalent to approximately HK\$52,972,000) (subject to adjustment) which was satisfied by payment in cash.

As MWL is an investment holding company, the Consideration is determined by reference to the audited combined net asset value of the four wholly-owned operating subsidiaries of MWL as at the Accounts Date of US\$3,063,552.39 (approximately HK\$23,865,073.12) and on the Accounts comprising a combined income statement of the four operating subsidiaries of MWL for the financial year ended on 31st December, 2003 which recorded a net profit of US\$6,842,948.08 (approximately HK\$53,306,565.54). The Directors of the Company consider that the Consideration and the terms and conditions of the Agreement are fair and reasonable and is in the interest of the shareholders of the Company as a whole.

The Consideration will be adjusted within three (3) Business Days after the Adjustment Date to reflect the actual net profits as shown in the Completion Accounts in the following manner:

- (a) if the aggregate amount of (i) the value of cash and bank receivable and prepayments; (ii) value of the fixed assets and moulds; (iii) the value of inventory (including raw materials, work in progress and stock in trade) less (iv) the value of trade payable and (v) unpaid proposed dividends (if there are any), shown on the Completion Accounts is more than zero, WIGL shall pay to MOL an amount equal to the difference within three (3) Business Days after the Adjustment Date; and
- (b) if the aggregate amount of (i) the value of cash and bank receivable and prepayments; (ii) the value of the fixed assets and moulds; (iii) the value of inventory (including raw materials, work in progress and stock in trade) less (iv) the value of trade payable and (v) unpaid proposed dividends (if there is any), shown on the Completion Accounts is less than zero, MOL shall pay to WIGL an amount equal to the shortfall within three (3) Business Days after the Adjustment Date.

The Consideration was paid by MOL to WIGL in cash in the following manner:

- (a) a sum of US\$2,040,000 (approximately HK\$15,891,600) being thirty percent (30%) of the Consideration as deposit upon the signing of the Agreement; and
- (b) the balance of the Consideration (initially being US\$4,760,000 (approximately HK\$37,080,400)) on Completion.

As at the Latest Practicable Date, the Completion Accounts have not been completed yet. The Completion Accounts are to be delivered by MOL to WIGL on or before 31st August, 2004. The Consideration has been paid on Completion through internal resources of the Company.

LETTER FROM THE BOARD

MWL

MWL is an investment holding company and through its four wholly-owned operating subsidiaries engages in the business of trading, marketing and manufacture of footwear in the People's Republic of China. Two of the wholly-owned operating subsidiaries only commenced business in 2003 whilst the other two wholly-owned subsidiaries commenced business in 2002.

The audited combined net profits (before and after taxation and extraordinary items) attributable to the four wholly-owned operating subsidiaries of MWL for the financial year ended on the Accounts Date was HK\$53,306,565.54 and HK\$53,306,565.54 respectively. The audited combined net profits (before and after taxation and extraordinary items) attributable to two wholly-owned operating subsidiaries of MWL for the financial year ended 31st December, 2002 was HK\$159,713 and HK\$159,713 respectively.

The combined turnover of the four wholly-owned operating subsidiaries of MWL for the year ended on the Accounts Date was US\$33,525,494.41 (approximately HK\$261,163,601.45).

REASONS FOR THE ACQUISITION

The principal activities of the Company are the manufacture and trading of footwear and property and investment holding.

The Directors of the Company consider that the Acquisition is consistent with the Company's expansion strategy. Given that the audited combined net asset value of the four wholly-owned operating subsidiaries of MWL as at the Accounts Date was US\$3,063,552.39 and that the four wholly-owned subsidiaries has a positive combined net profits track record for the past two financial years, the Company consider that the Acquisition will enhance the earning and asset base of the Company and its subsidiaries in the long term.

Yours attention is also drawn to the additional information set out in the appendices to this circular.

By Order of the Board
Symphony Holdings Limited
Li Kwok Lung, Alfred Ronald
Chairman

1. RESPONSIBILITY

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts not contained in this circular, the omission of which would make any statement in this circular misleading.

2. SHARE CAPITAL

(a) Issued share capital

| <i>Shares</i> | | <i>HK\$</i> |
|---------------|--|----------------|
| 1,109,803,182 | Shares of HK\$0.25 each as at the Latest Practicable Date | 277,450,795.50 |

(b) Outstanding options

As at the Latest Practicable Date, there were 75,402,046 outstanding Options which entitle the holders thereof when exercised, to subscribe for 75,402,046 Shares (representing approximately 6.7% of the issued share capital of the Company as at the Latest Practicable Date) at an exercise price of HK\$1.91 per Option Share.

3. DIRECTORS' DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests of the Directors and chief executive of the Company in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors or the chief executive were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which are required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules were as follows:

(1) Long Position in Shares

| Name of Director | <i>Notes</i> | Nature of interests | Number of Shares | % of the issued share capital |
|--------------------------------|--------------|----------------------------|-------------------------|--------------------------------------|
| Chan Ting Chuen | 1 | Corporate | 704,903,240 | 63.52 |
| Chan Ting Chuen | | Personal | 6,600,000 | 0.59 |
| Sze Sun Sun, Tony | 1 | Corporate | 704,903,240 | 63.52 |
| Sze Sun Sun, Tony | | Personal | 3,300,000 | 0.30 |
| Li Kwok Lung, Alfred Ronald | | Personal | 11,909,945 | 1.07 |

Notes :

- Well Success Investment Limited ("Well Success") is directly interested in 559,703,240 shares of the Company and deemed to be interested in 145,200,000 shares of the Company held by Ko Shing Limited ("Ko Shing") which is its wholly owned subsidiary.

First Dynamic International Limited ("First Dynamic") holds more than one-third of the issued share capital of Well Success. Royal Pacific Limited ("Royal Pacific") and Alexon International Limited ("Alexon International") each holds more than one-third of the issued share capital of First Dynamic.

Chan Ting Chuen is interested in the entire issued share capital of Royal Pacific. Chan Ting Chuen is deemed to be interested in 704,903,240 shares held by Well Success by virtue of his interests in Royal Pacific.

Sze Sun Sun, Tony is interested in the entire issued share capital of Alexon International and is deemed to be interested in 704,903,240 shares held by Well Success by virtue of his interests in Alexon International.

(2) Short Position in Shares

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Company, none of the Directors, or chief executive of the Company had or was deemed to have any short position in the Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) (a) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which the Directors and the chief executive are taken or deemed to have under the provisions of the SFO); or (b) which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies contained in the Listing Rules.

4. SUBSTANTIAL SHAREHOLDERS

So far as is known to any Director or the chief executive of the Company, as at the Latest Practicable Date, the persons or companies (not being a Director or chief executive of the Company) who had interests or short positions in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or who were directly or indirectly deemed to be interested in 10% or more of the nominal value of any class of share capital

carrying rights to vote in all circumstances at general meetings of any member of the Group were as follows:

(1) Long positions

| Name of shareholder of the Company | Notes | Capacity | Number of issued ordinary share held | | Percentage of the issue share capital of the Company |
|--|-------|--------------------------------|--------------------------------------|------------------|--|
| | | | Direct interests | Deemed interests | |
| Well Success | 1 | Beneficial owner | 559,703,240 | 145,200,000 | 63.52% |
| Ko Shing | 1 | Beneficial owner | 145,200,000 | – | 13.08% |
| First Dynamic | 1 | Held by controlled corporation | – | 704,903,240 | 63.52% |
| Alexon International | 1 | Held by controlled corporation | – | 704,903,240 | 63.52% |
| Royal Pacific | 1 | Held by controlled corporation | – | 704,903,240 | 63.52% |
| Frensham Investments Limited (“Frensham”) | 2 | Held by controlled corporation | – | 704,903,240 | 63.52% |
| Pou Yuen Industrial (Holdings) Limited (“Pou Yuen (Holdings)”) | 2 | Held by controlled corporation | – | 704,903,240 | 63.52% |
| Yue Yuen Industrial Limited (“Yue Yuen Industrial”) | 2 | Held by controlled corporation | – | 704,903,240 | 63.52% |
| Pou Hing Industrial Company Limited (“Pou Hing Company”) | 2 | Held by controlled corporation | – | 704,903,240 | 63.52% |
| Yue Yuen Industrial (Holdings) Limited (“Yue Yuen”) | 2 | Held by controlled corporation | – | 704,903,240 | 63.52% |
| Wealthplus Holdings Limited (“Wealthplus”) | 2 | Held by controlled corporation | – | 704,903,240 | 63.52% |
| Pou Chen Corporation (“Pou Chen”) | 2 | Held by controlled corporation | – | 704,903,240 | 63.52% |
| Madam Lau Yuk Wah | 3 | Held by controlled corporation | – | 714,803,240 | 64.41% |
| Madam Ng Shuk Fong | 3 | Held by controlled corporation | – | 711,503,240 | 64.11% |
| Chang Tsung Yuan | 4 | Person acting in concert | – | 145,200,000 | 13.08% |
| Chou Mei Yueh | 4 | Person acting in concert | – | 145,200,000 | 13.08% |

Notes:

1. The bonus issue on the basis of one bonus share for every ten existing shares held was approved by the shareholders of the Company at the Annual General Meeting on 12th May, 2004 ("Bonus Issue"). Based on 508,821,128 shares directly held by Well Success and 132,000,000 shares directly held by Ko Shing before the Bonus Issue, 50,882,112 and 13,200,000 bonus shares were issued to Well Success and Ko Shing respectively. Well Success is now directly interested in 559,703,240 shares of the Company and deemed to be interested in 145,200,000 shares of the Company held by Ko Shing which is its wholly-owned subsidiary.

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

Accordingly, Well Success, First Dynamic, Royal Pacific and Alexon International are deemed to be interested in 704,903,240 shares of the Company.

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

Accordingly, Frensham, Pou Yuen (Holdings), Yue Yuen Industrial, Pou Hing Company, Yue Yuen, Wealthplus and Pou Chen are deemed to be interested in 704,903,240 shares of the Company.

3. Madam Lau Yuk Wah ("Madam Lau") is the wife of Mr. Sze Sun Sun, Tony ("Mr. Sze"), a director of the Company. Mr. Sze is interested in the entire issued share capital of Alexon International, which is deemed to be interested in 704,903,240 shares of the Company (see Note 1). Mr. Sze was granted 9,000,000 share options of the Company on 9th January, 2004. 3,000,000 options were exercised on 25th February, 2004, pursuant to the Bonus Issue, 300,000 bonus shares were issued to Mr. Sze. Outstanding share options were adjusted by a factor of 0.9091, hence Mr. Sze's 6,000,000 outstanding options after adjustment amount to 6,599,934. Mr. Sze is deemed to be interested in a total of 714,803,174 shares of the Company. Madam Lau is deemed to be interested in 714,803,174 shares of the Company.

Madam Ng Shuk Fong ("Madam Ng") is the wife of Mr. Chan Ting Chuen ("Mr. Chan"), a Director of the Company. Mr. Chan is interested in the entire issued share capital of Royal Pacific which is deemed to be interested in 704,903,240 shares of the Company (see Note 1). Mr. Chan was granted 6,000,000 options of the Company on 9th January, 2004. 2,000,000 options were exercised on 17th February, 2004 and 4,000,000 were exercised on 7th April, 2004. Pursuant to the Bonus Issue, 600,000 bonus shares were issued to Mr. Chan who is deemed to be interested in a total of 711,503,240 shares of the Company. Madam Ng is deemed to be interested in 711,503,240 shares of the Company.

4. Ko Shing Limited had a direct interest in 145,200,000 shares of the Company (see Note 1). Mr. Chang Tsung Yuan ("Mr. Chang") is deemed to be interested in 145,200,000 shares of the Company pursuant to a subscription agreement dated 27th May, 2003 to acquire interests in the Company. Madam Chou Mei Yueh ("Madam Chou") is the wife of Mr. Chang and is deemed to be interested in 145,200,000 shares of the Company.

(2) Short positions

Other than as disclosed above, none of the Director or the chief executive of the Company has been notified of any other relevant interests or short positions in the issued share capital of the Company or its underlying shares which would fall to be disclosed to the Company under the provision of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, or, who is, directly or indirectly, interested in ten per cent. or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Company and the amount of each such person's interest in such securities together with particulars of any options in respect of such capital.

5. SERVICE CONTRACT

None of the Directors has any service contract with any member of the Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation other than statutory compensation).

6. LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries was engaged in any litigation or arbitration of material importance and so far as the Directors are aware, no litigation or claims of material importance was pending or threatened by or against the Company or any of its subsidiary.

7. MISCELLANEOUS

- (a) The share registrar of the Company is Tengis Limited, Ground Floor, BEA Harbour View Centre, 56 Gloucester Road, Wanchai, Hong Kong.
- (b) The secretary of the Company is Ms. Chow So Ying Anna.
- (c) The qualified accountant of the Company is Lam Lap Wai, *ACCA, FCCA, AHKSA*.
- (d) In the case of any discrepancy, the English text of this circular shall prevail over the Chinese text.