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SYMPHONY

SYMPHONY HOLDINGS LIMITED

新豐集團有限公司*

(Incorporated in Bermuda with limited liability)

(Stock Code : 01223)

(Warrant Code : 01537)

**ESTABLISHMENT OF JOINT VENTURE INVOLVING
DISTRIBUTION AGREEMENT AND
CONTINUING TRANSACTIONS**

The Board is pleased to announce that on 27 February 2017, the Company, Arena Shanghai, Shanghai Descente and Descente entered into an agreement for a joint venture, which includes the Distribution Agreement pursuant to which Shanghai Descente subsequently appointed Arena Shanghai as its exclusive distributor for the sale and distribution of Products in the Territory.

REGULATORY IMPLICATIONS

After execution of the JV Agreement and the Distribution Agreement Shanghai Descente was issued 30% of the equity interest of Arena Shanghai and became a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Thus, the transactions entered into between Arena Shanghai with Shanghai Descente pursuant to the Distribution Agreement became continuing connected transactions of the Company under the Listing Rules subject to the requirements of Listing Rule 14A.60.

None of the Directors has a material interest in the transactions under the JV Agreement or the Distribution Agreement and was required to abstain from voting on the relevant resolution(s) in the Board meeting to approve the JV Agreement or the Distribution Agreement.

INTRODUCTION

On 27 February 2017, the Company, Arena Shanghai, Shanghai Descente and Descente entered into the JV Agreement, and the Distribution Agreement was subsequently signed. The JV Agreement is not a notifiable transaction of the Company.

Shanghai Descente was subsequently issued 30% of the equity interest of Arena Shanghai and thereupon became a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

The transactions entered into between Arena Shanghai with Shanghai Descente pursuant to the Distribution Agreement thus became continuing connected transactions of the Company under the Listing Rules subject to the requirements of Listing Rule 14A.60. Details of the Distribution Agreement are set out below.

DISTRIBUTION AGREEMENT

a. Principal Terms

Date:	27 February 2017
Parties:	The Company, as distributor's guarantor; Arena Shanghai, as distributor; Shanghai Descente, as seller; and Descente, as seller's guarantor
Term:	The Distribution Agreement has a term commencing from 27 February 2017 and ending on 31 December 2021 (both days inclusive).
Distributorship:	Shanghai Descente appoints Arena Shanghai as its exclusive distributor for conducting local marketing activities and the sale and distribution of Products in the Territory.
Minimum Purchases:	Arena Shanghai is required to make the following minimum purchases in each year of the Distribution Agreement:- 2017: RMB 86,702,000 2018: RMB 90,875,000 2019: RMB 97,481,000 2020: RMB 120,613,000 2021: RMB 133,403,000 (all inclusive of tax)
Price:	The purchase price for Products is the landed cost of the Products (including but not limited to, the price of the goods purchased by Shanghai Descente, any fees for shipping, and any port fees, taxes, customs duties or inland transportation fees that may apply and are paid or to be paid by Shanghai Descente) times a constant pricing factor determined by Shanghai Descente.
Payment terms:	Payments under the Distribution Agreement shall be made by Arena Shanghai within 30 days after the delivery of the Products.

To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Shanghai Descente and Descente and their ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

b. Reasons for and benefits of the transactions contemplated under the Distribution Agreement

Over the last two years, the Company has been reviewing its strategy and development of sports brands and the Speedo cooperation has been concluded. In light of the Company's extensive retail distribution network in the swimwear market in the PRC plus a veteran local team, the Company considers it is in its commercial interest to enter into a distribution agreement with a renowned Japanese swimming brand such as "arena".

In view of the aforesaid reasons and benefits, the Directors (including the independent non-executive Directors) are of the view that (i) the transactions contemplated under the Distribution Agreements are in the ordinary and usual course of business and in the interests of the Company and its Shareholders as a whole; (ii) the terms of the Distribution Agreement are on normal commercial terms or on terms not less favorable than those of similar transactions with independent third parties and are fair and reasonable to the Company and its Shareholders; and (iii) the proposed Minimum Purchases under the Distribution Agreement are fair and reasonable, and in the interests of the Company and its Shareholders as a whole.

REGULATORY IMPLICATIONS

After execution of the Distribution Agreement and as required under the JV Agreement, 30% of the equity interest of Arena Shanghai was subsequently issued to Shanghai Descente. Before that issue Descente and Shanghai Descente had no material interest in the Company or any other member of the Group. As at the date of this announcement, Shanghai Descente directly holds 30% of the equity interest of Arena Shanghai and is therefore now a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. Thus, the transactions entered into between the members of the Group with Arena Shanghai pursuant to the Distribution Agreement became continuing connected transactions of the Company under the Listing Rules and this announcement is made in compliance with Listing Rule 14A.60 which amongst other things requires the Company to comply with the annual review and disclosure requirements including publishing an announcement and annual reporting if the Group continues to conduct the transaction under the Distribution Agreement and when the agreement is renewed or its terms are varied, to comply with all connected transaction requirements.

None of the Directors has a material interest in the transactions under the JV Agreement or the Distribution Agreement and was required to abstain from voting on the relevant resolution(s) in the Board meeting to approve the JV Agreement or the Distribution Agreement.

INFORMATION ON THE PARTIES INVOLVED

(1) The Company

The Company is an investment holding company. The principal business activities of the Group are the development and management of outlet malls, branding, retailing and

sourcing, property investment and holding in Hong Kong and the PRC, provision of financial services and duty-free business.

(2) Arena Shanghai

Arena Shanghai is engaged in the business of local marketing activities, sale and distribution of swimming wear and other sportswear, shoes and related accessories in the PRC.

(3) Shanghai Descente

Shanghai Descente is engaged in the business of the sale of sportswear and related accessories in the PRC, and the owner of know-how related to “arena” branded products.

(4) Descente

Descente is engaged in the business of manufacture and sale of sportswear and sports equipment all over the world and is the owner of certain trademarks relating to “arena” branded products.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used herein shall have the meanings set forth below:

“Arena Shanghai”	Arena Shanghai Industrial Co. Limited, a corporation incorporated in PRC with limited liability and a subsidiary of the Company
“Board”	the board of Directors of the Company
“Company”	Symphony Holdings Limited, a company incorporated in Bermuda with limited liability, the shares and warrants of which are listed on the Main Board of the Stock Exchange (Stock code : 1223 and Warrant code : 1537)
“connected person(s)”	the meaning ascribed to this term under the Listing Rules
“Descente”	Descente Ltd., a corporation incorporated in Japan with limited liability
“Director(s)”	the director(s) of the Company
“Distribution Agreement”	the distribution agreement dated 27 February 2017 entered into between the Company, Arena Shanghai, Shanghai Descente, and Descente
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Products”	swimwear and other sportswear, shoes and related accessories
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Descente”	Shanghai Descente Commercial Co. Ltd, a corporation incorporated in PRC with limited liability and a substantial shareholder of Arena Shanghai
“Shareholder(s)”	holder(s) of the issued share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Territory”	the PRC which does not include Hong Kong Special Administrative Region, the Macau Special Administrative Region and the Taiwan

By order of the Board
Symphony Holdings Limited
Cheng Tun Nei
Chairman

Hong Kong, 27 February 2017

At the date of this announcement, the Directors are:

Executive Directors: Mr. Cheng Tun Nei (*Chairman and Chief Executive Officer*)
Mr. Chan Kar Lee Gary

Non-executive Director: Mr. Hong Kim Cheong

Independent non-executive Directors: Mr. Shum Pui Kay
Mr. Wah Wang Kei Jackie
Mr. Chow Yu Chun Alexander