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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)

**SUPPLEMENTAL ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS**

Reference is made to the Company's announcement published on 27th February 2017 ("**Announcement**"). Capitalized terms used herein shall bear the same meanings as in the Announcement.

In addition to the information disclosed in the Announcement, the Company would like to further provide the following details.

As the terms of the Distribution Agreement have been approved by the Board and the independent non-executive directors have also confirmed that the terms of the transaction are fair and reasonable, the transaction is on normal commercial terms and in the interests of the Company and its shareholders as a whole, the transaction is exempted under Rule 14A.101 of the Listing Rules.

In compliance with Rule 14A.52, the Company has appointed Hercules Capital Limited ("**Hercules**"), an independent financial advisor, to review the term of the Distribution Agreement. Having considered that (i) a long-term and steady relationship with Shanghai Descente and the supply arrangements under the Distribution Agreement are necessary and conducive to Arena Shanghai's sales operations as such relationship and arrangements shall enable a timely and reliable supply of products to Arena Shanghai which shall in turn reduce its operational risks and facilitate a smooth distribution of the products; (ii) Arena Shanghai may not be able to fully enjoy the benefits from its marketing and promotion efforts and maximize its return on investment if the duration of the Distribution Agreement is not long enough; (iii) a shorter agreement term may lower the returns on investment of the Company in Arena Shanghai; (iv) the Company had also entered into distribution agreements of similar terms and duration with independent third parties previously; and (v) public information indicates that a number of

*For identification purpose only

comparable transactions involving distribution agreements for granting exclusive rights to distribute branded or trademarked products have a duration longer than three years, Hercules is of the view that it is commercially desirable to secure a term of longer than three years for the Distribution Agreement and confirmed that it is a normal business practice for contracts similar to this type to be of such duration.

In compliance with Rule 14A.53, the annual cap of each contract year is set as : -

2017	RMB86,702,000
2018	RMB90,875,000
2019	RMB97,481,000
2020	RMB120,613,000
2021	RMB133,403,000

The annual cap was determined by reference to the demand for swimwear products in PRC market, in both wholesale and retail business and taking into account multiple distribution channels online and offline. It was further expected that demand for Japanese-branded swimwear products is likely to increase due to the impact of the Tokyo Olympics in 2020.

The price payable by Arena Shanghai for products under the Distribution Agreement is determined on a 'cost plus' basis on which Arena Shanghai's purchase price is equal to the landed cost of the goods purchased (including any port fees, taxes, custom duties that may apply) multiplied by a factor of 1.41. Although the Distribution Agreement does not set out procedures for reviewing and approving price lists or guidelines from time to time, given (1) the Company's subsidiaries have previously been appointed China distributors for various international brands over the past years and (2) the Company possesses relevant industry and business experience and has determined such procedures are not necessary.

In determining whether such pricing basis is on terms no less favourable than the terms from other independent third parties, the Company has taken into consideration and conducted comparison based upon (1) previous licensing and distribution arrangements with other sports brand; (2) sourcing cost of the raw material and the production scale of the Products; (3) quality of the Products as some of them were imported from Japan direct; and (4) pricing basis of the existing licensees of Company's owned sports brands. Directors of the Company thus consider that the transactions will be conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

The 30% equity interest was issued to Shanghai Descente at RMB9,000,000. As disclosed in the interim report of the Company issued on 14 September 2016, the Company has been reviewing its strategy and development of sports brands and has finally resolved to bring the *Speedo* cooperation to a conclusion. The Company has since then been actively discussing with other well-known swimming brands to explore distribution collaboration opportunities. Instead of a pure distribution model, the Company decided to adopt a different business model - joint venture with Shanghai Descente.

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

Hong Kong, 22 March 2017

At the date of this announcement, the Directors are:

Executive Directors:	Mr. Cheng Tun Nei (<i>Chairman and Chief Executive Officer</i>) 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