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FORWARD FASHION  
HOLDINGS

**Forward Fashion (International) Holdings Company Limited**

**尚晉(國際)控股有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 2528)**

**DISCLOSEABLE TRANSACTION –  
THE JV AGREEMENT**

**THE JV AGREEMENT**

On 15 July 2020 (after trading hours), Fortune Fashion (a direct wholly-owned subsidiary of the Company), Mr. Yip and the JV Company entered into the JV Agreement pursuant to which, subject to the terms and conditions of the JV Agreement, (i) Fortune Fashion and Mr. Yip agreed to form the JV Company which will be owned as to 80% and 20% by Fortune Fashion and Mr. Yip respectively; (ii) Fortune Fashion agreed to pay RMB11.8 million (subject to adjustment) to Mr. Yip as initial set up fee of the SwissPro Business which will be run by the JV Company after Completion; and (iii) Fortune Fashion will contribute to the JV Company by way of a shareholder's loan of HK\$50 million and Mr. Yip by way of injection of the SwissPro Assets to the JV Company or entity designated by Fortune Fashion.

**IMPLICATIONS UNDER THE LISTING RULES**

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transaction(s) contemplated under the JV Agreement exceeds 5% but is less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement, but is exempt from the circular and Shareholders' approval requirements, under the Listing Rules.

## INTRODUCTION

On 15 July 2020 (after trading hours), Fortune Fashion (a direct wholly-owned subsidiary of the Company), Mr. Yip and the JV Company entered into the JV Agreement pursuant to which, subject to the terms and conditions of the JV Agreement, (i) Fortune Fashion and Mr. Yip agreed to form the JV Company which will be owned as to 80% and 20% by Fortune Fashion and Mr. Yip respectively; (ii) Fortune Fashion agreed to pay RMB11.8 million (subject to adjustment) to Mr. Yip as initial set up fee of the SwissPro Business which will be run by the JV Company after Completion; and (iii) Fortune Fashion will contribute to the JV Company by way of a shareholder's loan of HK\$50 million and Mr. Yip by way of injection of the SwissPro Assets to the JV Company or entity designated by Fortune Fashion.

## THE JV AGREEMENT

The principal terms of the JV Agreement are set out as follows.

**Date:** 15 July 2020

**Parties:**

- (1) Fortune Fashion, a direct wholly-owned subsidiary of the Company. It is principally engaged in investment holding;
- (2) Mr. Yip, a merchant engaging in the production, development, import and sale of skincare and cosmetic products business and the current beneficial owner of the "SwissPro" brand. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, Mr. Yip is an Independent Third Party; and
- (3) the JV Company, a company incorporated in Hong Kong with limited liability. Upon Completion, it will be principally engaged in the sales, trading, management, planning and development of branded skincare and cosmetic products under the brand name "SwissPro" in the Greater China.

### Subscription of JV Company Shares

Prior to entering into the JV Agreement, the JV Company had one share in issue with a registered capital of HK\$1 which was owned by Fortune Fashion. Pursuant to the JV Agreement, Fortune Fashion shall subscribe for 7,999 new JV Company Shares at HK\$7,999 and Mr. Yip shall subscribe for 2,000 new JV Company Shares at HK\$2,000. Upon Completion, the JV Company will be owned as to 80% and 20% by Fortune Fashion and Mr. Yip respectively.

Upon Completion, the JV Company will become an indirect non-wholly owned subsidiary of the Company and the financial results and position of the JV Company will be consolidated into the Company's financial statements.

## **Scope of business of the JV Company**

The JV Company was incorporated in Hong Kong on 18 June 2020. Upon Completion, it will be principally engaged in the sales, trading, management, planning and development of branded skincare and cosmetic products under the brand name “SwissPro” in the Greater China.

## **Conditions Precedent**

Completion is conditional upon the fulfilment of all of the following conditions unless waived by Fortune Fashion in writing:

- (a) all the representations, warranties and undertakings by Mr. Yip in the JV Agreement remaining true, complete and accurate in all respects as at the date of the JV Agreement;
- (b) Fortune Fashion having obtained all necessary approvals in respect of the transactions contemplated under the JV Agreement (including but not limited to the approval by the Board) and the same not having been subsequently revoked;
- (c) both Fortune Fashion and Mr. Yip having obtained all necessary consents and approvals required under applicable laws for the formation and operation of the JV Company and injection of the SwissPro Assets to the JV Company or entity designated by Fortune Fashion;
- (d) Fortune Fashion having received the valuation report issued by an Independent Third Party professional valuer with respect to the fair value of the SwissPro Business, the content (in particular, the valuation amount) of which is to the satisfaction of Fortune Fashion at its sole and absolute discretion;
- (e) there having no event that will or are reasonably expected to cause material adverse effect in relation to the transactions contemplated under the JV Agreement;
- (f) there having been no applicable laws or regulations which will or are reasonably expected to restrict or prohibit completion of the transactions contemplated under the JV Agreement;
- (g) all intellectual property rights and resources for the operation of the SwissPro Business by the JV Company having been transferred to the JV Company or entity designated by Fortune Fashion in accordance with the JV Agreement;
- (h) Beijing SwissPro having been deregistered and original official documents of deregistration having been provided to Fortune Fashion for inspection, or Beijing SwissPro having its company name changed and official documents of change of name having been provided to Fortune Fashion for inspection;

- (i) Mr. Yip or the third party(ies) being controlled by Mr. Yip having procured that, in accordance with the instructions of Fortune Fashion, the distributors, customers and suppliers of the SwissPro Business enter into new SwissPro Business Agreements, novate the previous SwissPro Business Agreements, or enter into back to back agreements in respect of the previous SwissPro Business Agreements, in form and substance satisfactory to Fortune Fashion at its sole and absolute discretion;
- (j) Beijing SwissPro having entered into a deed of assignment of lease with the JV Company's subsidiary in the PRC in relation to the property currently leased by Beijing SwissPro in form and substance satisfactory to Fortune Fashion at its sole and absolute discretion;
- (k) each of Mr. Yip and third party(ies) being controlled by Mr. Yip having signed a deed of non-competition;
- (l) Mr. Yip having completed the transfer of all other operating resources (if any) in relation to the SwissPro brand or the SwissPro Business or the business of the JV Company in form and substance satisfactory to Fortune Fashion at its sole and absolute discretion; and
- (m) the Key Employees having signed letters of consent to enter into employee agreements with the JV Company, the terms of which shall be agreed between the JV Company and the Key Employees and shall be effective from the date of Completion.

Mr. Yip and Fortune Fashion shall use their respective best endeavours to procure that the conditions precedent are fulfilled in accordance with their terms. If any of the conditions precedent are not fulfilled or waived on or before the Long Stop Date, all rights and obligations of the parties under the JV Agreement shall cease and terminate, and no party shall have any claim against the other save for claim (if any) in respect of any antecedent breach.

#### **Board composition of the JV Company**

The JV Company Board shall consist of five JV Company Directors. Four of them shall be appointed by Fortune Fashion and one of them shall be appointed by Mr. Yip. Board resolutions of the JV Company shall be passed by a majority of JV Company Directors. The chairman of the JV Company Board shall be held by one of the JV Company Directors who is appointed by Fortune Fashion.

## **Restrictions on transfer of JV Company Shares**

Mr. Yip shall not sell, transfer, pledge, or otherwise dispose of all or any part of the JV Company Shares within three years from the date of the incorporation of the JV Company (the “**Lock-up Period**”). Upon the expiry of the Lock-up Period, any JV Company Shareholder shall not dispose of any JV Company Shares unless:

- (a) the JV Company has repaid all of its outstanding shareholders’ loan; and
- (b) the JV Company Shares are transferred from a JV Company Shareholder to its wholly owned company; or
- (c) the JV Company Shares are transferred between one JV Company Shareholder to another; or
- (d) exercise of the right of first refusal: in the event that Mr. Yip proposes to sell the whole or part of his shareholding in the JV Company, Fortune Fashion shall have a right of first refusal to such shares, on such terms as offered by a bona fide purchaser to Mr. Yip; or
- (e) exercise of the drag-along right: If Fortune Fashion proposes to sell not less than 50% of the JV Company Shares to a third party purchaser, Fortune Fashion shall have the right, by written notice to Mr. Yip, to require Mr. Yip to sell all of his JV Company Shares to such third party purchaser on the same terms and conditions as those applicable to Fortune Fashion.

## **Initial set up fee**

Pursuant to the JV Agreement, Fortune Fashion agreed to pay RMB11.8 million (subject to adjustment) to Mr. Yip as initial set up fee of the SwissPro Business which will be run by the JV Company after Completion.

The amount of the Initial Set Up Fee was determined after arm’s length negotiations between Fortune Fashion and Mr. Yip taking into account the valuation of 80% interest in the SwissPro Business which was RMB13,137,000 (“**Preliminary Valuation Amount**”) based on a preliminary appraisal conducted by an independent professional valuer with the market approach, the profit attributable to the SwissPro Business by reference to the unaudited financial information of Beijing SwissPro (the company which currently operates the SwissPro Business), which records a profit before tax of RMB1.21 million and RMB3.29 million and a profit after tax of RMB1.20 million and RMB3.29 million for the years ended 31 December 2018 and 2019, and the reasons for the proposed transactions as mentioned in the section headed “Reasons for and Benefits of entering into the JV Agreement” in this announcement.

In the event that the final valuation amount is less than RMB11.8 million (“**Reference Value**”), the Initial Set Up Fee will be adjusted as follows:

$$\text{Adjusted initial set up fee} = \text{Initial Set Up Fee} \times \left( \frac{\text{final valuation amount}}{\text{Reference Value}} \right)$$

In the event that the final valuation amount is in an amount higher than the Reference Value, the Initial Set Up Fee will not be adjusted.

Subject to the fulfilment of conditions precedent set out above, the Initial Set Up Fee is payable by Fortune Fashion to Mr. Yip in the following manner:

| <b>Time of payment</b>  | <b>% of payment</b> |
|---|---------------------|
| Within five Business Days following the fulfilment (or waiver) of the conditions precedent; | 50%                 |
| Within six months of following the fulfilment (or waiver) of the conditions precedent;      | 25%                 |
| Within twelve months following the fulfilment (or waiver) of the conditions precedent.      | 25%                 |

The payment of the Initial Set Up Fee will be funded by internal resources of the Group.

### **Contribution by Fortune Fashion and Mr. Yip**

Pursuant to the JV Agreement, each of Fortune Fashion and Mr. Yip will contribute by way of shareholder’s loan and injection of SwissPro Assets to the JV Company respectively as set out below:

#### **(a) *Provision of the shareholder’s loan***

It is expected that working capital of HK\$50 million will be required in the coming three years for the operation of the JV Company. Pursuant to the JV Agreement, the JV Company shall first obtain loan financing from financial institutions to satisfy its working capital requirement, to which Fortune Fashion and Mr. Yip shall, if necessary, provide guarantee as security for the bank facility according to their respective shareholding proportion in the JV Company. In the event that the JV Company is unable to obtain financing from financial institutions, upon request by the JV Company, Fortune Fashion may (but is not legally obliged to) provide a shareholder’s loan of up to HK\$50 million to the JV Company subject to the following: (i) the operation of the JV Company; (ii) whether Mr. Yip has fulfilled its obligations under the JV Agreement to transfer the SwissPro Assets to the JV Company or entity designated by Fortune Fashion and to procure signing of the new SwissPro Business Agreements with the JV Company;

and (iii) whether Mr. Yip has assisted Fortune Fashion to register the trademark of “SwissPro” in the PRC. The exact amount of the shareholder’s loan to be provided by Fortune Fashion shall be determined based on the estimated working capital of the JV Company required in the coming three years for the operation of the JV Company. After the provision of the shareholder’s loan, the shareholding in the JV Company will remain to be 80% and 20% by Fortune Fashion and Mr. Yip respectively. The above arrangement shall only be applicable for the first three years from the date of Completion and the total amount of the shareholder’s loan being provided by Fortune Fashion in the first three years shall not exceed HK\$50 million.

After the first three years from the date of Completion or after Fortune Fashion has provided HK\$50 million as shareholder’s loan to the JV Company (whichever is earlier), the JV Company shall obtain financing from financial institutions with guarantee with respect to the shareholdings of the JV Company Shareholders or the JV Company Shareholders shall provide shareholders’ loans in proportion to their shareholdings in the JV Company. In case if a JV Company Shareholder refuses to provide the shareholders’ loans, the other JV Company Shareholder may (but is not obliged to) provide the shareholders’ loans and the shareholding proportion shall be adjusted accordingly based on the total amount of capital provided by each JV Company Shareholder.

**(b) *Injection of SwissPro Assets by Mr. Yip***

Pursuant to the JV Agreement, Mr. Yip agreed to transfer, or procure the third party(ies) being controlled by him to transfer, all SwissPro Assets to the JV Company or entity designated by Fortune Fashion. In addition, Mr. Yip shall provide assistance and guidance to the JV Company with his knowledge, management skills and technical support in relation to the skincare and cosmetics industry which are necessary for the operation of the JV Company.

**Termination**

The JV Agreement shall be terminated by (i) the unanimously written consent of Fortune Fashion and Mr. Yip; or (ii), either party owning 100% interest of the JV Company, whichever is earlier.

**REASONS FOR AND BENEFITS OF ENTERING INTO THE JV AGREEMENT**

The Group is principally engaged in the retail of fashion apparel of international brands ranging from established designer label brands, popular global brands to up-and-coming brands in Greater China. To complement the retail of fashion apparel, the Group also retails footwear, cosmetic and skincare products and lifestyle products of international brands to enrich its merchandise selection to cater for its target customers.

To complement the retail of fashion apparel as mentioned above, Fortune Fashion entered into the JV Agreement to engage in the business of branded cosmetic and skincare products,

namely “SwissPro”, with the intention of expanding its merchandise portfolio and enhancing the capabilities and profitability of its business operation. “SwissPro”, an established skincare brand originating in Switzerland, offers a range of natural skincare products formulated by innovated plant stem cell technology and its products are mainly sold through brick-and-mortar stores. As competition in the global cosmetic skincare market has intensified in recent years, which reflects consumer’s growing interest in such products, the Directors are optimistic about the prospects of the SwissPro branded products. With the Group’s past experiences in brand management, retail and distribution in the Greater China, the JV Company is expected to assist the Group in expanding the SwissPro Business by leveraging the combined expertise, facilities and resources of the parties.

In view of the above, the Directors considered that the entering into of the JV Agreement and the transactions contemplated thereunder were on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable and the investment in the JV Company will be in the interest of the Company and its Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules in respect of the transaction(s) contemplated under the JV Agreement exceeds 5% but is less than 25%, the transaction constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the announcement requirement, but is exempt from the circular and Shareholders’ approval requirements, under the Listing Rules.

## **DEFINITIONS**

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

|                    |  |
|--------------------|--|
| “Beijing SwissPro” | Beijing Ruishibao Trading Co., Ltd* (北京瑞仕堡商貿有限公司), a company established under the laws of the PRC with limited liability  |
| “Board”            | the board of Directors   |
| “Business Day”     | a day (other than Saturday, Sunday, statutory holiday and any day on which a tropical cyclone warning no. 8 or above or a black rainstorm warning is hoisted at any time between 9 a.m. and 5 p.m.) on which licensed banks in Hong Kong are open for business |
| “BVI”              | British Virgin Islands   |
| “Company”          | Forward Fashion (International) Holdings Company Limited (尚晉(國際)控股有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange (stock code: 2528)                                   |



|                             |  |
|-----------------------------|--|
| “Completion”                | completion of (i) the subscription of JV Company Shares by Fortune Fashion and Mr. Yip; and (ii) payment of the Initial Set Up Fee by Fortune Fashion to Mr. Yip   |
| “Completion Date”           | the tenth Business Day following the fulfilment (or waiver) of the conditions precedent to the JV Agreement (or such other date as Fortune Fashion and Mr. Yip may agree in writing)   |
| “Director(s)”               | director(s) of the Company   |
| “Fortune Fashion”           | Fortune Fashion Limited, a company incorporated in the BVI with limited liability and a direct wholly-owned subsidiary of the Company  |
| “Greater China”             | the region comprising of Mainland China, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of the PRC  |
| “Group”                     | the Company and its subsidiaries   |
| “HK\$”                      | Hong Kong dollar, the lawful currency of Hong Kong   |
| “Hong Kong”                 | the Hong Kong Special Administrative Region of the PRC   |
| “Independent Third Party”   | a third party independent of the Company and the connected persons (has the meaning ascribed thereto in the Listing Rules) of the Company and is not a connected person (has the meaning ascribed thereto in the Listing Rules) of the Company |
| “Initial Set Up Fee”        | An amount of RMB11.8 million (subject to adjustment) payable by Fortune Fashion to Mr. Yip as initial set up fee of the SwissPro Business  |
| “JV Agreement”              | the shareholders agreement dated 15 July 2020 entered into between Fortune Fashion, Mr. Yip and the JV Company   |
| “JV Company”                | Yuan Zhi Holdings Limited, a company incorporated in Hong Kong with limited liability  |
| “JV Company Board”          | the board of directors of the JV Company   |
| “JV Company Shareholder(s)” | the shareholder(s) of the JV Company, being Fortune Fashion and Mr. Yip immediately after Completion   |

|                                |  |
|--------------------------------|--|
| “JV Company Director(s)”       | director(s) of the JV Company  |
| “JV Company Share(s)”          | share(s) of the JV Company   |
| “Key Employees”                | the key employees in relation to the operation of the JV Company   |
| “Listing Rules”                | the Rules Governing the Listing of Securities on the Stock Exchange  |
| “Long Stop Date”               | 31 December 2020 (or such later date as Fortune Fashion and Mr. Yip may agree in writing)  |
| “Mr. Yip”                      | Mr. Yip Tze Yee (葉子諭), a merchant engaging in the production, development, import and sale of skincare and cosmetic products business and the beneficial owner of the SwissPro brand before Completion   |
| “PRC”                          | the People’s Republic of China, which for the purpose of this announcement, excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan of the PRC  |
| “Shareholder(s)”               | Shareholder(s) of the Company  |
| “Share(s)”                     | share(s) of the Company  |
| “SwissPro Assets”              | all operating resources and intellectual property rights related to “SwissPro” or the business of the JV Company owned and managed by Mr. Yip or Beijing SwissPro (including but not limited to registered trademarks, domain names, production technology, distribution channels and network, after-sales service resources, qualifications, licenses, etc) before Completion |
| “SwissPro Business”            | the sales, trading and development of branded skincare and cosmetic products under the brand name “SwissPro” in the Greater China  |
| “SwissPro Business Agreements” | distribution agreements, sale of product agreements or supply agreements in relation to the SwissPro Business  |
| “Stock Exchange”               | The Stock Exchange of Hong Kong Limited  |

“RMB” Renminbi, the lawful currency of the PRC

“%” or “per cent.” percent

By Order of the Board  
**Forward Fashion (International) Holdings Company Limited**  
**Fan Wing Ting**  
*Chairman*

Hong Kong, 15 July 2020

*As at the date of this announcement, the Board comprises Mr. Fan Wing Ting, Ms. Chen Xingyi, Mr. Kevin Trantallis, Mr. Fong Yat Ming and Ms. Fan Tammy as the executive Directors, and Mr. Chau Kwok Keung, Mr. Yu Chun Kau and Mr. Cheung Chun Yue, Anthony as the independent non-executive Directors.*

*This announcement is available for viewing on the website of the Company at [www.forward-fashion.com](http://www.forward-fashion.com) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).*