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Tycoon Group Holdings Limited

滿貫集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 3390)

DISCLOSEABLE TRANSACTION – ACQUISITION OF 80% INTEREST IN MACAU DISTRIBUTOR

The Board announces that after trading hours on 15 September 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor, an Independent Third Party, entered into the SP Agreement, pursuant to which the Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Quota at the Consideration of HK\$37,440,000.

The Sale Quota represents 80% of the registered share capital of the Target which as at the date of the SP Agreement, is owned as to 100% by the Vendor. The Target is principally engaged in the import and distribution of pharmaceuticals, proprietary Chinese medicine and healthcare products in Macau.

IMPLICATIONS UNDER THE LISTING RULES

Given the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to reporting and announcement requirements of Chapter 14 of the Listing Rules.

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THE SP AGREEMENT

Date : 15 September 2020.

Purchaser : The Purchaser, an indirect wholly-owned subsidiary of the Company and principally engaged in investment holding.

Vendor : The Vendor

As at the date of this announcement, the Vendor held the entire registered share capital of the Target. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor is an Independent Third Party.

Assets to be acquired

The Purchaser has conditionally agreed to purchase, and the Vendor has conditionally agreed to sell, the Sale Quota. The Sale Quota represents 80% of the registered share capital of the Target. Further particulars of the Target are set out in section headed "Information on the Target" below.

Consideration and its adjustment

The Consideration shall be payable to the Vendor in cash in the following manner:

- (1) HK\$6,000,000 was paid prior to the entering into of the SP Agreement as Deposit; and
- (2) the remaining balance of HK\$31,440,000 shall be paid after Completion and on or before 31 December 2021 (or such other date as the Purchaser and the Vendor may agree in writing).

The Deposit has been paid by the Group with its internal resources. It is proposed that the remaining balance of the Consideration will be funded by the internal resources and/or borrowings of the Group.

The Consideration was determined after arm's length negotiations between the parties to the SP Agreement on normal commercial terms with reference to the historical performance of the Target, a valuation of the market value of approximately HK\$49.2 million of the entire equity interest in the Target performed by an independent valuer using the market approach, the consideration adjustment mechanism as detailed in the paragraph headed "Consideration and its adjustment – Consideration adjustments" below and the reasons as set out in the section headed "Reasons for and benefits of the Acquisition" below.

Consideration adjustments

Pursuant to the SP Agreement, the Consideration shall be subject to downward adjustments upon the occurrence of the following events:

- (1) in the event that the Target has recorded an unaudited loss for the three months ending 31 December 2020, the Vendor shall pay, in cash or immediately available fund, to the Purchaser a sum (“**2020 Downward Adjustment**”) as equal to such loss on or before 28 February 2021. For the purpose of calculating the 2020 Downward Adjustment, amongst others, the unaudited financial statements of the Target for the three months ending 31 December 2020 as delivered by the Vendor and agreed by the Purchaser shall be used as the basis of calculation; and
- (2) in the event that the aggregate of the audited net profit of the Target (“**Actual PAT**”) for the year ending 31 December 2021 and the year ending 31 December 2022 is less than HK\$14,000,000 (“**Guaranteed PAT**”), the Vendor shall pay, in cash or immediately available fund, to the Purchaser within 14 calendar days after a statement showing the amount of the Actual PAT and its calculation are made available to the Purchaser a sum (“**2021-2022 Shortfall Compensation**”) calculated according to the following formula:

$$A = (B - C)/2 \times 6.69$$

where:

- A is the 2021-2022 Shortfall Compensation provided that such amount shall be capped at HK\$15,000,000
- B is the Guaranteed PAT
- C is the Actual PAT

and for the purpose of calculating the amount of the Actual PAT, amongst others:

- (a) the audited net profit of the Target as shown in the respective audited financial statements of the Target for each of the year ending 31 December 2021 and the year ending 31 December 2022 shall be used as the basis of calculation;
- (b) in the event the Target records a net loss in any of the year ending 31 December 2021 or the year ending 31 December 2022, the audited net profit of the Target for the corresponding financial year shall be deemed as a negative figure for summation purpose; and
- (c) in the event the audited net profit of the Target in any of the year ending 31 December 2021 or the year ending 31 December 2022 records any profit, loss, income or expense which is one-off, non-recurring and non-operating nature, such audited net profit shall be adjusted by the same amount of such one-off, non-recurring and non-operating profit, loss, income or expense.

Conditions precedent

Completion is conditional upon and subject to the following conditions precedent being fulfilled or waived (as the case may be):

- (1) the Purchaser having carried out and completed the due diligence review of the Target and being satisfied with the results of the due diligence review of the Target and their related business, assets, liabilities, activities, operations, financial position and prospects in all respects;
- (2) (where applicable) all requisite consents, clearances, authorisations and approvals (or, as the case may be, the relevant waivers) in connection with the entering into and performance of the terms of the SP Agreement having been obtained by the Purchaser and the Company and remaining in full force and effect;
- (3) (where applicable) all requisite consents, clearances, authorisations and approvals (or, as the case may be, the relevant waivers) in connection with the entering into and performance of the terms of the SP Agreement having been obtained by the Vendor and remaining in full force and effect;
- (4) the warranties of the Vendor under the SP Agreement remaining true and accurate in all material respects and not misleading in any material respect up to Completion; and
- (5) all licences held by the Target as set out in the SP Agreement having remained valid and in full force and effect and not being revoked or cancelled by relevant organisation or regulatory authority and no circumstances or events that may result in the revocation and/or cancellation of such licences have occurred up to Completion.

If any of the above conditions precedent shall not have been fulfilled or waived (as the case may be) at or before 4:00 p.m. on 31 December 2020 (or such later date as the parties may agree in writing), the Deposit, without interest, shall be refunded by the Vendor to the Purchaser forthwith in cash and all rights and obligations of the parties under the SP Agreement shall cease and terminate (save and except for certain provisions, including confidentiality and announcements, notices and governing law) and no party shall have any claim against the other party with respect to any matter referred to in the SP Agreement save for claim (if any) in respect of such continuing provisions or any antecedent breaches of the SP Agreement.

Completion

The Completion shall take place a day within 15 Business Days after the conditions precedent are fulfilled or waived or such other date as the Purchaser and the Vendor shall agree in writing.

Other terms of the SP Agreement

Pursuant to the SP Agreement, the Vendor has agreed and undertaken that for the period commencing from the date of the SP Agreement and ending on the day no earlier than the Target having, where applicable, completed the change of administrative person (or in any other capacity) registered in the name of the Vendor or a person designated by the Vendor in relation to all the licences held by the Target required for its ordinary course of business:

- (1) unless with the prior written consent of the Purchaser, remain as a director of the Target;
- (2) at the request of the Purchaser, assist in the change of administrative person (or in any other capacity) in relation to all the licences held by the Target registered in the name of the Vendor or any other changes as required by the Purchaser; and
- (3) use all reasonable efforts to assist in the ordinary course of business of the Target.

Grant of option to the Purchaser

Pursuant to the SP Agreement, the Vendor has granted to the Purchaser an option (“**Option**”), in consideration of the payment of HK\$1.0 by the Purchaser to the Vendor, to purchase the Option Quota held by the Vendor, representing 20% of the entire registered share capital of the Target as at the date of this announcement, at the purchase price of HK\$9,360,000.

Subject to the Completion having taken place, the Option will become exercisable by the Purchaser during the period (“**Option Period**”) commencing from the day upon the audited financial statements of the Target for the year ending 31 December 2022 is made available to the Purchaser and up to 31 December 2023. In the event that the Option has not been exercised during the Option Period, the Option will lapse at 4:00 p.m. on the last day of the Option Period. The completion of the sale and purchase of the Option Quota shall take place on a day which must be a Business Day and shall not be earlier than the 5th Business Day or later than the 10th Business Day, in each case, from the date of the notice given by the Purchaser to the Vendor to exercise the Option. The Company will comply with the applicable requirements under the Listing Rules when it exercises the Option. It is expected that the purchase price to purchase the Option Quota, if the Option is exercised, will be funded by the internal resources of the Group.

INFORMATION ON THE TARGET

The Target is a company incorporated in Macau with limited liability which as at the date of this announcement, is owned as to 100% by the Vendor.

The Target is principally engaged in the import and distribution of pharmaceuticals, proprietary Chinese medicine and healthcare products in Macau. It is a holder of the licence for import, export and wholesale of pharmaceutical products in Macau and the authorised sole or exclusive distributor of certain brands of proprietary Chinese medicine and pharmaceutical products in Macau. It has a distribution network with over 300 retail stores in Macau as its customers. The Target was one of the Group's major customers during the years ended 31 December 2017, 2018 and 2019 respectively and during the same period, the Group had also made minimal purchases with the Target.

Set out below is a summary of certain audited financial information of the Target for the two years ended 31 December 2019:

	For the year ended 31 December 2018		For the year ended 31 December 2019	
	MOP	HK\$ <i>approximately</i>	MOP	HK\$ <i>approximately</i>
Revenue	39,635,013	38,445,963	52,059,109	50,497,336
Profit before taxation	5,675,518	5,505,252	7,363,701	7,142,790
Profit after taxation	5,036,890	4,885,783	6,811,031	6,606,700

The audited total assets and net assets of the Target as at 31 December 2019 were MOP18,327,430 (approximately HK\$17,777,607) and MOP2,442,848 (approximately HK\$2,369,563) respectively.

Upon Completion, the Company will hold 80% of the registered share capital of the Target, and the Vendor will hold the remaining 20% of the registered share capital of the Target. The Target will become an indirect non-wholly owned subsidiary of the Company and the financial results of the Target will be consolidated with the results of the Group.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company is an investment holding company. The Group principally engages in the provision of a variety of proprietary Chinese medicine, health supplement, skin care, personal care and other healthcare products through diversified online and offline sales channels, through the operation of distributing products to chain retailers, non-chain retailers and traders, and operation of offline store, online stores and e-commerce portals to consumers.

As set out in the section headed "Business – Business strategies" in the prospectus of the Company dated 30 March 2020, as one of the Group's strategies to further expand its business and increase its market share, as a provider of a wide range of health and well-being related products, the Group aims to enhance the efficiency of market penetration of its products.

The Target, as a holder of the licence for import, export and wholesale of pharmaceutical products in Macau, is principally engaged in the import and distribution of pharmaceuticals, proprietary Chinese medicine and healthcare products in Macau. It is an authorised sole or exclusive distributor of certain brands of proprietary Chinese medicine and pharmaceutical products, which the Directors believe are popular products amongst the PRC tourists, in Macau. As at the date of this announcement, the Group's operations in Macau were relatively small-scale, as compared to the Group's operations in Hong Kong. Through the Acquisition, it is expected that the Group can, by utilising the Target's existing and well-established distribution channels and customer base in Macau, expand the Group's operations in Macau.

Given the proximity of Hong Kong and Macau and building on the Group's well-established and effective distribution channels in Hong Kong, the Group can increase the accessibility and availability of its products to consumers in Macau. The Group believes that the Acquisition represents an opportunity for the Group to align the distribution business of the Group in Hong Kong and Macau so as to better consolidate and utilise the brand advantages of the Group and enhance the influence of its product portfolio across the regions in the Guangdong-Hong Kong-Macao Greater Bay Area.

The terms of the SP Agreement were determined after arm's length negotiations between the parties thereto. In light of the above reasons, the Directors (including the independent non-executive Directors) are of the view that the Acquisition is in the interests of the Company and that the terms of the SP Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Given the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition is more than 5% but less than 25%, the Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to reporting and announcement requirements of Chapter 14 of the Listing Rules.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Sale Quota pursuant to the terms and conditions of the SP Agreement
“Board”	the board of Directors
“Business Day(s)”	any day(s) (other than a Saturday, a Sunday, public holiday) in Hong Kong or Macau
“BVI”	the British Virgin Islands

“Completion”	the completion of the Acquisition
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	HK\$37,440,000, the total consideration of the Acquisition
“Company”	Tycoon Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Deposit”	HK\$6,000,000 paid by the Purchaser to the Vendor prior to the entering into of the SP Agreement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party”	a third party independent of the Company and the connected persons of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macao Special Administrative Region of the People’s Republic of China
“MOP”	Macau pataca, the lawful currency of Macau
“Option Quota”	one quota of MOP5,000 of the Target, representing 20% of the registered share capital of the Target as at the date of this announcement
“Purchaser”	Key Zone Investment Inc., a company incorporated in BVI with limited liability and an indirect wholly-owned subsidiary of the Company
“SP Agreement”	the sale and purchase agreement dated 15 September 2020 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Sale Quota”	one quota of MOP20,000 of the Target, representing 80% of the registered share capital of the Target as at the date of this announcement

“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Jefferine Macau Limited (傑飛澳門一人有限公司), a company incorporated in Macau with limited liability
“Vendor”	Mr. Kan Chi Kit, an individual

For the purpose of this announcement, amounts quoted in MOP have been converted into HK\$ at the exchange rate of MOP1.00 = HK\$0.97 where applicable. Such exchange rate is for illustrative purposes and does not constitute a representation that any amounts were or may have been exchanged at this or any other rates or at all.

On behalf of the Board
Tycoon Group Holdings Limited
Wong Ka Chun Michael
Chairman and Chief Executive Officer

Hong Kong, 15 September 2020

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Wong Ka Chun Michael; four non-executive Directors, namely Mr. Yao Qingqi, Ms. Chong Yah Lien, Mr. Ng Wang Yu Gary and Ms. Li Ka Wa Helen; and three independent non-executive Directors, namely Mr. Wong Yuk Woo Louis, Mr. Chung Siu Wah and Ms. Chan Ka Lai Vanessa.