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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)

REVISION OF THE EXISTING ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS IN RELATION TO MASTER SALE AND PURCHASE AGREEMENT

**Independent Financial Adviser to the Independent Board Committee
and the Independent Shareholders**

BALLAS
CAPITAL

Reference is made to the circular of the Company dated 25 March 2021 in relation to the Master Sale and Purchase Agreement entered into between the Company and CR Pharmaceutical and the annual caps of the continuing connected transactions contemplated thereunder.

REVISION OF THE EXISTING ANNUAL CAPS

Pursuant to the Master Sale and Purchase Agreement, (i) the Company agreed to purchase and CR Pharmaceutical agreed to sell the CR Products, and (ii) the Company agreed to sell and CR Pharmaceutical agreed to purchase the Tycoon Products, in each case, for itself and its subsidiaries, for a term commencing on 8 February 2021 to 31 December 2023.

At the time when the Existing Annual Caps were proposed, it was expected that 90% of CR Products to be purchased would be the Existing Product. However, subsequent to the approval of the Existing Annual Caps at the April EGM, it is contemplated that the Group will purchase certain New Products (which are also third party brand products) from the CR Pharma Group in addition to the Existing Product. Based on the latest procurement and sales plans of the Group, it is expected that the Existing Annual Caps will not be sufficient to keep up with the business growth of the Group. Hence, the Company proposes to revise the Existing Annual Caps.

LISTING RULES IMPLICATIONS

As CR Pharmaceutical is the holding company of CR Retail, a substantial shareholder of the Company, CR Pharmaceutical and each of its subsidiaries is considered as a connected person of the Company. The transactions contemplated under the Master Sale and Purchase Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Pursuant to rule 14A.54(1) of the Listing Rules, before an annual cap is exceeded or an issuer proposes to renew the agreement in respect of continuing connected transactions, the Company is required to re-comply with the relevant announcement and shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Revised Annual Caps on an aggregate basis exceeds 5% and the aggregated value of Revised Annual Caps is more than HK\$10 million, the Revised Annual Caps are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Revised Annual Caps. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, save for CR Retail, no Shareholder is required to abstain from voting on the relevant resolutions to approve the Revised Annual Caps at the EGM, pursuant to Rule 14A.36 of the Listing Rules.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Revised Annual Caps. The Company has appointed Ballas Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Revised Annual Caps.

A circular containing, among other things, (i) the particulars of the Revised Annual Caps; (ii) the recommendation of the Independent Board Committee in respect of the Revised Annual Caps; (iii) a letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders on the Revised Annual Caps; (iv) a notice of the EGM, will be despatched to the Shareholders by 28 September 2021 as the Company is expected to require more time to compile the information to be included in such circular.

BACKGROUND

Reference is made to the circular of the Company dated 25 March 2021 (“**Circular**”) in relation to the Master Sale and Purchase Agreement entered into between the Company and CR Pharmaceutical and the annual caps of the continuing connected transactions contemplated thereunder.

REVISION OF THE EXISTING ANNUAL CAPS

At the time when the Existing Annual Caps were proposed, it was expected that 90% of CR Products to be purchased would be the Existing Product. However, subsequent to the approval of the Existing Annual Caps at the April EGM, it is contemplated that the Group will purchase certain New Products (which are also third party brand products) from the CR Pharma Group in addition to the Existing Product.

In light of the New Products to be sourced and the Target Purchase Amount in respect of such New Products, it is expected that the Existing Annual Caps will not be sufficient to keep up with the business growth of the Group. Hence, the Company proposes to revise the Existing Annual Caps to cater for the latest business and procurement plan.

The table below sets out the historical amount of the purchase of CR Products during the seven months ended 31 July 2021 based on the unaudited management accounts of the Group, the Existing Annual Caps and the Revised Annual Caps:

Historical amounts Seven months ended	Existing Annual Caps			Revised Annual Caps		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
31 July 2021	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
81,955	300,000	360,000	432,000	550,000	1,000,000	1,300,000

Basis of the Revised Annual Caps

For the seven months ended 31 July 2021, the total purchase of CR Products was approximately HK\$82 million, of which HK\$26 million was for the Existing Product and HK\$56 million was for the New Product A. The total purchase of Existing Product for the seven months ended 31 July 2021 was far below the original estimation when determining the Existing Annual Cap for FY2021 primarily due to (i) the cautious attitude of the Group in sourcing the Existing Product after taking into account the insufficiency of the Existing Annual Cap for FY2021 in light of the new development; and (ii) the relatively higher profit margin for the New Products as compared with the Existing Product. In light of the aforesaid reasons, the Group proposes to revise the Existing Annual Caps by increasing the annual caps for each of FY2021, FY2022 and FY2023 and to adjust allocation of the annual caps to the Existing Product and New Products.

The table below sets out the breakdown of the Revised Annual Caps based on the latest procurement and sales plan of the Group:

	FY2021 <i>HK\$'000</i>	FY2022 <i>HK\$'000</i>	FY2023 <i>HK\$'000</i>
Existing Product	87,000	180,000	216,000
New Product A	310,000	281,000	350,000
New Product B	–	80,000	110,000
New Product C	78,000	219,000	234,000
Others	75,000	240,000	390,000
	<u>550,000</u>	<u>1,000,000</u>	<u>1,300,000</u>

Note: the above Revised Annual Caps do not take into account the sales by Hong Kong CR Sanjiu to the Group pursuant to the NC Products Distribution Agreements, particulars of which were disclosed in the Prospectus.

Existing Product

The Existing Product is a third party brand medical ointment which is very popular among the PRC consumers. The Group has been selling the Existing Product via e-commerce portals. The management of the Group is of the view that but for the cautious approach adopted by the Group in light of the insufficiency of the Existing Annual Cap for FY2021, the purchase for the Existing Product would have been approximately HK\$12 million per month for FY2021. The proposed Revised Annual Caps for each of FY2022 and FY2023 is estimated to increase by 20% respectively as compared to the preceding year assuming the annual purchase for the Existing Product would ordinarily be approximately HK\$150 million for FY2021. Such growth rate was determined after taking in to account the inflation, organic business growth and market growth of the PRC healthcare industry.

New Products

The New Products are also third party brand PCM, health supplement, healthcare, skin care, personal care or other healthcare products. In relation to the purchase of the New Products, the proposed Revised Annual Cap for each of FY2021, FY2022 and FY2023 is estimated after taking into consideration of (i) the Target Purchase Amount in respect of such New Products; (ii) the expected rapid growth in sales in e-commerce portals; and (iii) the general inflation, organic business growth and market growth of the PRC healthcare industry.

Reasons for and Benefit of the Revised Annual Caps

As mentioned in the section headed “Reasons for and Benefit of Entering into the Master Sale and Purchase Agreement” in the Circular, purchasing CR Products from the CR Pharma Group does not only enable the Group to diversify its products offerings but also enjoy a more favourable payment terms offered by the CR Pharma Group such as allowing for a longer credit period.

As the New Products are popular among local consumers and the PRC consumers, the Group believes the sourcing of the New Products in addition to the Existing Product will further boost the business performance of the Group for the three years ending 31 December 2023. As such, the Directors (excluding the independent non-executive Directors whose view will be formed after taking into account the advice of the independent financial adviser) are of the view that the Revised Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ABOUT THE PARTIES

The Group is principally engaged in the provision of PCM, health supplement, skin care, personal care and other healthcare products.

CR Pharmaceutical is a company listed on the Main Board of the Stock Exchange. The CR Pharma Group’s core business encompasses research and development, manufacturing, distribution and retail of an extensive range of pharmaceutical and other healthcare products. As at 31 December 2020, the CR Pharma Group operated one of the largest retail pharmacy networks in the PRC, comprising over 850 pharmacies under national or regional premium brands – “CR Care (華潤堂)” and “Teck Soon Hong (德信行)”.

LISTING RULES IMPLICATIONS

As CR Pharmaceutical is the holding company of CR Retail, a substantial shareholder of the Company, CR Pharmaceutical and each of its subsidiaries is considered as a connected person of the Company. The transactions contemplated under the Master Sale and Purchase Agreement constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Pursuant to rule 14A.54(1) of the Listing Rules, before an annual cap is exceeded or an issuer proposes to renew the agreement in respect of continuing connected transactions, the Company is required to re-comply with the relevant announcement and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Revised Annual Caps on an aggregate basis exceeds 5% and the aggregated value of Revised Annual Caps is more than HK\$10 million, the Revised Annual Caps are subject to the reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

GENERAL

An EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Revised Annual Caps. To the best of the Directors' knowledge, information and belief, as at the date of this announcement, save for CR Retail, no Shareholder is required to abstain from voting on the relevant resolutions to approve the Revised Annual Caps at the EGM, pursuant to Rule 14A.36 of the Listing Rules.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders regarding the Revised Annual Caps. The Company has appointed Ballas Capital Limited as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders regarding the Revised Annual Caps.

A circular containing, among other things, (i) the particulars of the Revised Annual Caps; (ii) the recommendation of the Independent Board Committee in respect of the Revised Annual Caps; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice on the Revised Annual Caps; (iv) a notice of the EGM, will be despatched to the Shareholders by 28 September 2021 as the Company is expected to require more time to compile the information to be included in such circular.

DEFINITIONS

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

“April EGM”	the extraordinary general meeting of the Company held on 16 April 2021 approving, among others, the Master Sale and Purchase Agreement and the transactions contemplated thereunder
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“Company”	Tycoon Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability the issued shares of which are listed on the Main Board of the Stock Exchange
“CR Care”	CR Care Company Limited (華潤堂有限公司), an associate of CR Retail and a wholly-owned subsidiary of CR Pharmaceutical

“CR Pharmaceutical”	China Resources Pharmaceutical Group Limited (華潤醫藥集團有限公司) (stock code: 3320), a company whose shares are listed on the Main Board of the Stock Exchange and a substantial shareholder of the Company
“CR Pharma Group”	collectively, CR Pharmaceutical and its subsidiaries
“CR Products”	certain PCM, health supplement and other healthcare products sold or to be sold by CR Pharma Group
“CR Retail”	China Resources Pharmaceutical Retail Group Limited, an investment holding company incorporated in BVI with limited liability, a wholly-owned subsidiary of CR Pharmaceutical and a substantial shareholder of the Company
“Director(s)”	the director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider, if thought fit, and approve by poll, among other things, the Revised Annual Caps
“Existing Annual Caps”	the annual caps for the three years ending 31 December 2023 in respect of purchases of CR Products as contemplated under the Master Sale and Purchase Agreement approved at the April EGM
“Existing Product”	a third-party brand medical ointment which the Group sourced from independent third parties since August 2020 and then from the CR Pharma Group upon the Master Sale and Purchase Agreement becoming effective
“FY”	the financial year ended or ending (as the case may be) 31 December
“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

“Hong Kong CR Sanjiu”	Sanjiu Healthy World Company Limited (三九健康天地有限公司), a limited liability company incorporated in Hong Kong and a non-wholly owned subsidiary of CR Pharmaceutical
“Independent Board Committee”	an independent committee of the Board, comprising all the independent nonexecutive Directors, namely Mr. Wong Yuk Woo Louis, Mr. Chung Siu Wah and Ms. Chan Ka Lai Vanessa, formed to advise the Independent Shareholders with regard to the Revised Annual Caps
“Independent Shareholders’	Shareholders who are not prohibited from voting at the EGM regarding the Revised Annual Caps
“Listing”	the listing of the shares of the Company on the Main Board of the Stock Exchange
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Macau”	the Macao Special Administrative Region of the People’s Republic of China
“Master Sale and Purchase Agreement”	the master sale and purchase agreement dated 8 February 2021 entered into between the Company and CR Pharmaceutical in relation to the sale and purchase of Tycoon Products and CR Products for a term commencing on the date of such agreement and ending on 31 December 2023
“NC Products Distribution Agreement (JD & HK)”	the distribution agreement dated 7 January 2020 and entered into between Hong Kong CR Sanjiu, Billion Crown (China) Limited (“ Billion Crown ”), a wholly owned subsidiary of the Company and Tycoon Hong Kong in relation to the granting of distribution rights by Hong Kong CR Sanjiu to Billion Crown and Tycoon Hong Kong over certain products of the Nature’s Care Pro series under the brand name of Nature’s Care for sales of such products on the e-commerce portal at JD.hk (海囤全球－京東旗下全球直購平台) and in the territory of Hong Kong respectively for a term commencing retrospectively on 1 September 2019 and ending on 31 December 2021

“NC Products Distribution Agreement (Tmall)”	the distribution agreement dated 7 January 2020 and entered into between Hong Kong CR Sanjiu and Titita Trading Co., Limited (“ Titita ”), a wholly owned subsidiary of the Company, in relation to the granting of distribution rights by Hong Kong CR Sanjiu to Titita over certain products of the Nature’s Care Pro series under the brand name of Nature’s Care for sales of such products through Nature’s Care Overseas Flagship Store* sales (Nature’s Care 海外旗艦店) on the e-commerce portal at Tmall.hk (天貓國際) for a term commencing retrospectively on 10 December 2019 and ending on 31 December 2021
“NC Products Distribution Agreements”	collectively, the NC Products Distribution Agreement (JD & HK) and the NC Products Distribution Agreement (Tmall)
“New Products”	collectively, New Product A, New Product B, New Product C and other PCM, health supplement and other healthcare products sold or to be sold by the CR Pharma Group
“New Product A”	certain third party brand health supplement products
“New Product B”	certain third party brand skincare products
“New Product C”	certain third party brand healthcare products
“PCM”	“proprietary Chinese medicines” as defined in the Chinese Medicine Ordinance (Cap. 549 of the Laws of Hong Kong)
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, Macau and Taiwan
“Prospectus”	the prospectus of the Company dated 30 March 2020 in relation to the Share Offer and the Listing
“Revised Annual Caps”	the revised annual caps for the three years ending 31 December 2023 in respect of purchases of CR Products (inclusive of the New Products) as contemplated under the Master Sale and Purchase Agreement to be approved at the EGM
“Shareholder(s)”	the shareholders of the Company
“Share Offer”	the offering of shares of the Company as more particularly described in the Prospectus

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“Target Purchase Amount”	the target purchase amount as agreed between the relevant brand owners, traders or distributors in respect of certain of the New Products, the Group and the CR Pharma Group
“Tycoon Hong Kong”	Tycoon Asia Pacific Group Limited (滿貫(亞太)集團有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company
“Tycoon Products”	certain PCM, health supplement and other healthcare products sold by the Group

* *English translations of the original names in Chinese and are for identification purpose only.*

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

Hong Kong, 27 August 2021

As at the date of this announcement, the Board comprises one executive Directors, namely Mr. Wong Ka Chun Michael; three non-executive Directors, namely Mr. Yao Qingqi, Ms. Chong Yah Lien, 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.