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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)

CONNECTED TRANSACTION - ACQUISITION OF 20% EQUITY INTEREST IN A SUBSIDIARY

Reference is made to the announcement of the Company dated 15 September 2020 in respect of, among others, the entering into of the Previous Agreement between the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor and the Group's acquisition of 80% interest in the Target.

The Board announces that on 1 April 2022, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has purchased, and the Vendor has sold, the Option Quota at the Consideration of HK\$9,360,000. The Completion took place immediately after the signing of the Sale and Purchase Agreement.

The Target is principally engaged in the import and distribution of pharmaceuticals, proprietary Chinese medicine and healthcare products in Macau. The Option Quota represents 20% of the issued share capital of the Target which, immediately prior to Completion, was owned as to 80% by the Purchaser and 20% by the Vendor.

Upon Completion, the Target became a wholly-owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

Immediately prior to Completion, the Vendor was a substantial shareholder of the Target holding 20% equity interest in the Target which was a subsidiary of the Company. Accordingly, the Vendor is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios is less than 5%, the Acquisition does not amount to any notifiable transaction under Chapter 14 of the Listing Rules.

The Board has approved the Acquisition, and the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Sale and Purchase Agreement are fair and reasonable, the Acquisition was conducted on normal commercial terms, is in the ordinary and usual course of business of the Group and is in the interests of the Company and the shareholders of the Company as a whole. Therefore, by virtue of Rule 14A.101 of the Listing Rules, the Acquisition is subject to the reporting and announcement requirements applicable to connected transactions, but is exempt from the circular, independent financial advice and the approval requirements of the shareholders of the Company.

Reference is made to the announcement of the Company dated 15 September 2020 (“**Previous Announcement**”) in respect of, among others, the entering into of the Previous Agreement between the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor in respect of the sale and purchase of 80% equity interest in the Target.

The Board announces that on 1 April 2022, the Purchaser and the Vendor entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has purchased, and the Vendor has sold, the Option Quota at the Consideration of HK\$9,360,000. The Completion took place immediately after the signing of the Sale and Purchase Agreement.

The principal terms of the Sale and Purchase Agreement are summarised as follows:

THE SALE AND PURCHASE AGREEMENT

Date : 1 April 2022

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

Vendor : The Vendor

Immediately prior to Completion, the Vendor held 20% equity interest in the issued share capital of the Target. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor is a merchant. By virtue of the Vendor's interest in the Target prior to Completion, the Vendor is a connected person of the Company at the subsidiary level.

Subject matter

The Purchaser has purchased, and the Vendor has sold, the Option Quota. The Option Quota represents 20% of the issued share capital of the Target. Further particulars of the Target are set out in section headed "Information on the Target" below.

Consideration

The Consideration is payable to the Vendor in cash in the following manner:

- (1) HK\$1,000,000 ("**First Payment**") was paid upon the entering into of the Sale and Purchase Agreement and thereafter the Completion; and
- (2) the remaining balance of HK\$8,360,000 ("**Second Payment**") shall be paid on or before 31 December 2023 (or such other date as the Purchaser and the Vendor may agree in writing).

The First Payment has been paid by the Group with its internal resources. It is expected that the Second Payment will be funded by the internal resources and/or by borrowings of the Group.

The Consideration was fixed and stated in the Previous Agreement.

At the time when the Vendor and the Purchaser negotiated for the terms and conditions of the Previous Agreement, in determining the basis of the then consideration for the 80% equity interest and the purchase price for the Option Quota, they had made reference to the then historical performance of the Target, a valuation report as referred to in the Previous Announcement and also the consideration adjustment mechanism as detailed in the paragraph headed "The SP Agreement - Consideration and its adjustment – Consideration adjustments" in the Previous Announcement. For details of the basis of the Consideration, please also refer to the paragraph headed "The SP Agreement - Consideration and its adjustment" in the Previous Announcement.

Preservation of consideration adjustments mechanism

As disclosed in the section headed "SP AGREEMENT – Consideration – Consideration adjustments" of the Previous Announcement, the Vendor shall pay to the Purchaser the 2021-2022 Shortfall Compensation if the Actual PAT is less than the Guaranteed PAT in the manner as stipulated in the Previous Agreement, the details of which are more particularly set out in the Previous Announcement.

The Vendor and the Purchaser have agreed that to protect the Purchaser's interest under the Previous Acquisition, pursuant to the Sale and Purchase Agreement, in the event that the Actual PAT is less than the Guaranteed PAT, and

- (1) where the 2021-2022 Shortfall Compensation ascertained in accordance with the provisions of the Previous Agreement is less than the Second Payment, the Purchaser is entitled to withhold an amount which is equal to the 2021-2022 Shortfall Compensation from the Second Payment when the Purchaser pays the Second Payment to the Vendor. In such event, the amount of the Second Payment which is required to be paid by the Purchaser to the Vendor shall be the difference between the Second Payment and the 2021-2022 Shortfall Compensation; and
- (2) where the 2021-2022 Shortfall Compensation ascertained in accordance with the provisions of the Previous Agreement is equal to or more than the Second Payment, (i) the Purchaser shall be released from making the payment of the Second Payment to the Vendor; and (ii) where applicable, the Vendor shall be required to make good the deficit between the 2021-2022 Shortfall Compensation over the Second Payment in cash and other immediately available funds to a bank account designated by the Purchaser (or in such any other manner as agreed between the Vendor and the Purchaser) within 30 days after the 2021-2022 Shortfall Compensation is ascertained.

For this purpose, each of the “**2021-2022 Shortfall Compensation**”, the “**Actual PAT**” and the “**Guaranteed PAT**” shall have the meanings ascribed to it and more particularly described in the Previous Announcement.

Conditions precedent

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

- (1) (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 Sale and Purchase Agreement having been obtained by the Purchaser and the Company and remaining in full force and effect;
- (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 Sale and Purchase Agreement having been obtained by the Vendor and remaining in full force and effect;
- (3) the warranties of the Vendor under the Sale and Purchase Agreement remaining true and accurate in all material respects and not misleading in any material respect up to Completion; and
- (4) all licenses held by the Target as set out in the Sale and Purchase 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 licenses have occurred up to Completion.

All of the conditions precedent have been fulfilled or, as the case may be, considered as fulfilled immediately prior to Completion.

Completion

The Completion took place on 1 April 2022.

INFORMATION ON THE TARGET

The Target is a company incorporated in Macau with limited liability which, immediately prior to Completion, was owned as to 80% by the Purchaser and 20% 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 the holder of a license 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 wide range of distribution network with over 300 retail stores in Macau as its customers.

Set out below is a summary of certain unaudited financial information of the Target for the two years ended 31 December 2020 and 31 December 2021:

	For the year ended 31 December 2021 (unaudited)		For the year ended 31 December 2020 (audited)	
	MOP '000	HK\$ '000 <i>approximately</i>	MOP '000	HK\$ '000 <i>approximately</i>
Revenue	76,118	73,901	35,400	34,369
Profit before taxation	8,278	8,037	2,073	2,013
Profit after taxation	7,284	7,072	2,073	2,013

The unaudited total assets and net assets of the Target as at 31 December 2021 were approximately MOP26.54 million (approximately HK\$25.77 million) and approximately MOP9.80 million (approximately HK\$9.52 million) respectively.

The Target was established by the Vendor in 2016. Based on the information provided by the Vendor, the original cost of investment attributable to the Option Quota was approximately MOP7,500 (approximately HK\$7,275).

Upon Completion, the Purchaser holds the entire issued share capital of the Target. The Target will become an indirect wholly owned subsidiary of the Company and the financial results of the Target as a whole 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 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 license 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.

The Directors believe that the Acquisition will enable the Group to assume full control over the operation of the Target, which is expected to enhance management efficiency, and will also enable the Group to enjoy the economic benefits, in particular, the profit of the Target fully. The Acquisition represents an opportunity for the Group to further 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.

Pursuant to the Previous Agreement, the Purchaser was granted an option to purchase the Option Quota from the Vendor at an agreed price (being an amount equal to the Consideration). While under the original terms of the Previous Agreement, such option would only become exercisable by the Purchaser after the audited financial statements of the Target for the year ending 31 December 2022 being available, considering the reasons as elaborated above, the Purchaser have negotiated and agreed with the Vendor to terminate the Option and to enter into the Sale and Purchase Agreement to govern the Acquisition at the previously agreed price.

The terms of the Sale and Purchase Agreement were determined after arm's length negotiations between the parties thereto.

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 Sale and Purchase Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Shareholders as a whole.

LISTING RULES IMPLICATIONS

Immediately prior to Completion, the Vendor was a substantial shareholder of the Target holding 20% equity interest in the Target which was a subsidiary of the Company. Accordingly, the Vendor is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules and the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios is less than 5%, the Acquisition does not amount to any notifiable transaction under Chapter 14 of the Listing Rules.

The Board has approved the Acquisition, and the Directors (including the independent non-executive Directors) have also confirmed that the terms of the Sale and Purchase Agreement are fair and reasonable, the Acquisition was conducted on normal commercial terms, is in the ordinary and usual course of business of the Group and is in the interests of the Company and the shareholders of the Company as a whole. Therefore, by virtue of Rule 14A.101 of the Listing Rules, the Acquisition is subject to the reporting and announcement requirements applicable to connected transactions, but is exempt from the circular, independent financial advice and the approval requirements of the shareholders of the Company.

None of the Directors have a material interest in the Acquisition and hence no Directors is required to abstain from voting on the board resolution approving the Sale and Purchase Agreement and the Acquisition contemplated thereunder.

DEFINITIONS

In this announcement, capitalised terms used herein shall have the same meaning as defined in the Previous Announcement, and the following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the Option Quota pursuant to the terms and conditions of the Sale and Purchase 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
“Completion”	the completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it in the Listing Rules
“Consideration”	HK\$9,360,000, 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
“Director(s)”	the director(s) of the Company
“First Payment”	has the meaning ascribed to it under the section headed “THE SALE AND PURCHASE AGREEMENT – Consideration” of this announcement
“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
“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 issued share capital of the Target immediately prior to Completion
“Previous Agreement”	the sale and purchase agreement dated 15 September 2020 entered into between the Purchaser and the Vendor, the particulars of which are set out in the Previous Announcement
“Previous Announcement”	the announcement of the Company dated 15 September 2020 in respect of, among others, the entering into of the Previous Agreement and the Group’s acquisition of 80% interest in the Target
“Purchaser”	Key Zone Investment Inc., a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of the Company
“Second Payment”	has the meaning ascribed to it under the section headed “THE SALE AND PURCHASE AGREEMENT – Consideration” of this announcement

“Sale and Purchase Agreement”	the sale and purchase agreement dated 1 April 2022 entered into between the Purchaser and the Vendor in relation to the Acquisition
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Jefferine Macau Limited (傑飛澳門有限公司) (former name: 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 and the owner of the Option Quota immediately prior to Completion

For the purpose of this announcement, the exchange rate of MOP1.00 = HK\$0.97 has been used for currency translation, where applicable. Such an exchange rate is for illustrative purposes and does not constitute representations that any amount in MOP or HK\$ has been, could have been or may be converted at such a rate.

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

Hong Kong, 1 April 2022

As at the date of this announcement, the executive Director is Mr. Wong Ka Chun Michael; the non-executive Directors are Mr. Yao Qingqi, Ms. Chong Yah Lien, Ms. Li Ka Wa Helen and Mr. Lau Ka On David; and the independent non-executive Directors are Mr. Chung Siu Wah, Ms. Chan Ka Lai Vanessa and Mr. Mak Chung Hong (also known as Mak Tommy Chung Hong).