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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)**

### **SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO CONTINUING CONNECTED TRANSACTIONS – MASTER SALE AND PURCHASE AGREEMENT AND EXCLUSIVE DISTRIBUTION AGREEMENTS**

Reference is made to the announcement of Tycoon Group Holdings Limited (“**Company**”) dated 4 July 2022 (“**Announcement**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

This announcement is made to provide supplemental information in relation to the Announcement.

#### **Products details and pricing policies**

The Board wishes to emphasise that the procurement process or, as the case may be, the sale process as contemplated under the Master Sale and Purchase Agreement is the same with those processes which the Group has adopted for dealing with independent third parties.

In connection with the purchase of Tycoon Products or, as the case may be, Talent Smart Products, the relevant member of Talent Smart Group or, as the case may be, the Group (the party who is purchasing the relevant products shall be referred to as “**Purchasing Entity**”) shall send a written request for quotation (“**Quotation Request**”) to the relevant member of the Group or, as the case may be, Talent Smart Group (the party who is selling the relevant products shall be referred to as “**Supplying Entity**”), which shall contain relevant details of the products. Within five days after the receipt of the Quotation Request, the Supplying Entity shall, in response to such Quotation Request send a written quotation (“**Written Quotation**”) to the Purchasing Entity to list out (i) the ability to supply products in accordance with the product description stated in the Quotation Request; and (ii) the overall terms and conditions including but not limited to price, payment terms and credit terms offered by the Supplying Entity.

The details of pricing policy in respect of the products under the Master Sale and Purchase Agreement and Exclusive Distribution Agreements are as follows:

***(a) Tycoon Products***

The Tycoon Products that will be sold to the Talent Smart Group under the Master Sale and Purchase Agreement are products that are marketed under the Group's own brand names and are distributed through a chain-store customer and other online platforms.

To ensure if each transaction will be conducted under normal commercial terms or better and fairly and reasonably and the terms and pricing policies will be strictly followed, upon receipt of the Quotation Request, the relevant personnel of the Group who keep track of the transaction record of Tycoon Products will make reference to the report provided by the independent third-party sales channel regarding the gross retail value of the Tycoon Products on a quarterly basis as a comparable to assess the reasonableness and fairness of the pricing of Tycoon Products.

The price of the Tycoon Products to be sold to the Talent Smart Group will be determined by making reference to the prevailing selling price of Tycoon Products sold to independent third party. As the Group has granted the exclusive offline distribution right of the Tycoon Products to one independent third party which is one of the main chain-store operators in Hong Kong, the selling price of the Tycoon Products to be sold to the Talent Smart Group will not be lower than that of the Tycoon Products sold to the aforesaid major chain-store operator. Therefore, the Board is of the view that the terms are on normal commercial terms and fair and reasonable.

***(b) Talent Smart Products***

As disclosed in the Announcement, Talent Smart Products which will be purchased by the Group under the Master Sale and Purchase Agreement can be broadly categorised into two categories, namely (a) new series of products which are specifically made for the Group and marketed under new brands ("**Customised Products**") and (b) products manufactured/distributed by members of Talent Smart Group ("**Current Products**").

The Customised Products are mainly health supplements products while the Current Products are mainly health supplement and traditional proprietary Chinese medicines. As the Customised Products are new series of products specifically made for the Group and the sole distribution rights of Talent Smart Products (comprising the Customised Products and the Current Products) in Hong Kong have been granted to the Group, no third-party sales from the Talent Smart Group will be available to the Group for comparison purposes.

As such, to ensure that each purchase transaction of the Talent Smart Products (comprising the Customised Products and the Current Products) under the Master Sale and Purchase Agreement will be conducted under normal commercial terms or better and fairly and reasonably, by following the usual procedures adopted by the Group in dealing with independent third party suppliers, in assessing the fairness and reasonableness of the purchase price, apart from ensuring the Group can enjoy a gross profit margin ranging from 12% to 40%, the Head of the Procurement Team of the Group will also consider other commercial terms in the procurement such as the favourable goods return policy (i.e. full goods return for whatever reason) and longer credit terms offered by Talent Smart Group. The pricing of Talent Smart Products will principally be on a cost-plus basis.

The price of the Talent Smart Products to be purchased by the Group will not be higher than that of similar products distributed by the Group (to the extent comparable is available for comparison purpose). Given that there is no minimum purchase amount fixed in the Master Sale and Purchase Agreement and the Group is entitled to select which Talent Smart Products that it wishes to place order for, the Group may elect not to place any order if the overall package of the commercial terms is not commercially attractive to the Group.

***(c) Malaysia Products***

As disclosed in the Announcement, the pricing model for the Malaysia Products will be on a cost-plus basis. To ensure if each transaction will be conducted under normal commercial terms or better and fairly and reasonably and the terms and pricing policies will be strictly followed, upon receipt of the Written Quotation, the price of the Malaysia Products will be accepted with reference to a gross profit margin of approximately 30% to 40%. References will also be made to (i) the historical and expected retail price of the relevant Malaysia Products in Malaysia and (ii) the expected retail price of the relevant Malaysia Products in Singapore.

Under the Master Sale and Purchase Agreement and Exclusive Distribution Agreements, there is no requirement regarding the minimum amount of purchase by the Group. The Directors believe that the above pricing reference together with internal control policies to be taken by the Group, can ensure that the transactions contemplated under the Master Sale and Purchase Agreement and Exclusive Distribution Agreements will be conducted in the normal commercial terms and fairly and reasonably.

**Internal control policies**

To determine whether to proceed with the transactions under the Master Sales and Purchase Agreement and the Exclusive Distribution Agreements and/or to source new products for distribution, the Group's internal control policies and flow are as follows:

1. the Procurement Team of the Group will first review the qualification of relevant suppliers, including but not limited to the particulars of the brands supplied;
2. the Sales Department of the Group will then prepare monthly sales forecast, estimated gross profit and costs and expenses in relation to the products;

3. the Head of the Procurement Team of the Group will review the purchase price and payment terms of each relevant purchase order; and
4. the Finance Department of the Group will review the six-month sales forecast and profit forecast of the products to ensure the transactions under each of the Master Sales and Purchase Agreement and the Exclusive Distribution Agreements will be conducted under normal commercial terms or better and fairly and reasonably and in the interests of the Company as a whole.

Each of the departments above will make assessment, review various aspects of the transactions and determine if the transactions will be conducted under normal commercial terms or better and fairly and reasonably and in the interests of the Company as a whole and the terms and pricing policies will be strictly followed.

The relevant personnel of the Group will keep track of the transaction record on the sale of the relevant products. The Group will have designated personnel from the relevant departments to monitor the actual transaction amounts and report to the management team on a monthly basis in relation to the transactions to ensure that the annual caps are not exceeded. The Finance Department of the Group will revisit the underlying transactions on a quarterly basis (including timely monitoring the utilisation of annual caps) and timely comply with the requirements of chapter 14A of the Listing Rules (if applicable).

The Board wishes to emphasise that the procurement process or, as the case may be, the sale process as contemplated under the Master Sale and Purchase Agreement and the Exclusive Distribution Agreements is the same with those processes which the Group has adopted for dealing with independent third parties.

The supplemental information provided in this announcement does not affect other information contained in the Announcement and save as disclosed above, the content of the Announcement remains unchanged.

On behalf of the Board  
**Tycoon Group Holdings Limited**  
**Wong Ka Chun Michael**

*Chairman, Executive Director and Chief Executive Officer*

Hong Kong, 21 July 2022

*As at the date of this announcement, the executive Director is Mr. Wong Ka Chun Michael; the non-executive Directors are Mr. Cao Weiyong, 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).*