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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 TRANSACTIONS –

(1) ACQUISITION OF 12% ISSUED SHARE CAPITAL OF THE TARGET COMPANY;

AND

(2) OPTIONS IN RESPECT OF 9% ISSUED SHARE CAPITAL OF THE TARGET COMPANY

The Board is pleased to announce that on 28 April 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Seller entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to purchase, and the Seller has agreed to sell the Sale Shares for an aggregate consideration of HK\$9,120,000. The Sale Shares represent 12% of the existing issued share capital of the Target Company as at the date of this announcement.

Immediately prior to the signing of the Sale and Purchase Agreement, the Purchaser owned 49% of the Target Company. Upon completion of the Acquisition, (1) the Purchaser will become the owner of 61% of the issued shares of the Target Company, with the remaining 39% owned as to 9% by the Seller and 30% by Ever Yield Corporation; and (2) each of the Target Company and the Target subsidiary will become a non-wholly-owned subsidiary of the Company.

Subject to fulfilment of the conditions precedent, completion of the Acquisition is scheduled to take place on or before 31 May 2023 (or such other date as may be agreed by the parties).

In connection with the Acquisition, concurrent with the signing of the Sale and Purchase Agreement, the parties have also entered into the Put Option Deed and the Call Option Deed. Pursuant to the Put Option Deed, the Purchaser has granted to the Seller the Put Option whereby the Seller has the right to require the Purchaser to purchase from the Seller up to all the Option Shares (on one or more occasions) at an agreed price whereas pursuant to the Call Option Deed, the Seller has granted to the Purchaser the Call Option whereby the Purchaser has the right to require the Seller to sell up to all the Option Shares (on one or more occasions) to the Purchaser at an agreed price. Details of the Put Option Deed and the Call Option Deed are set out in this announcement below.

Pursuant to the terms and conditions of the Put Option Deed, the Put Option is only exercisable by the Seller. According to Rule 14.74 of the Listing Rules, on the grant of an option the exercise of which is not at the discretion of the listed issuer, the transaction will be classified as if the option had been exercised.

Given the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition and the grant of the Put Option, when aggregated, is more than 5% but less than 25%, the Acquisition and the grant of the Put Option, when aggregated, constitute discloseable transactions of the Company under the Listing Rules and are subject to reporting and announcement requirements of Chapter 14 of the Listing Rules. The Acquisition itself is also a discloseable transaction.

The grant of the Call Option by the Seller to the Purchaser does not constitute a notifiable transaction of the Company for the purpose of Chapter 14 of the Listing Rules. The Company will comply with all applicable requirements under the Listing Rules when it exercises the Call Option.

INTRODUCTION

On 28 April 2023, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Seller have entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has agreed to purchase, and the Seller has agreed to sell 12% issued share capital of the Target Company for an aggregate consideration of HK\$9,120,000.

In connection with the Acquisition, concurrent with the signing of the Sale and Purchase Agreement, the parties have also entered into the Put Option Deed and the Call Option Deed. Pursuant to the Put Option Deed, the Purchaser has granted to the Seller the Put Option whereby the Seller has the right to require the Purchaser to purchase from the Seller up to all the Option Shares (on one or more occasions) at an agreed price whereas pursuant to the Call Option Deed, the Seller has granted to the Purchaser the Call Option whereby the Purchaser has the right to require the Seller to sell up to all the Option Shares (on one or more occasions) to the Purchaser at an agreed price. Details of the Put Option Deed and the Call Option Deed are set out in this announcement below.

THE SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are set out below.

Date: 28 April 2023

Parties: (1) The Seller

(2) A wholly owned subsidiary of the Company, as the Purchaser

Subject matter: The Seller agreed to sell and the Purchaser agreed to purchase the Sale Shares, which represent 12% of the issued share capital in the Target Company.

Consideration: The aggregate amount of the consideration for the Acquisition (i.e. the Consideration is HK\$9,120,000, which was determined after arm's length negotiations between the parties with reference to the historical financial performance of the Target Subsidiary, the unaudited net asset value of the Target Subsidiary of approximately HK\$11.5 million as at 28 February 2023 and the reasons as set out in the section headed "REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE GRANT OF THE OPTIONS" below.

The Purchaser shall pay the Consideration to the Seller in the following manner:

- (a) an earnest money in the amount of HK\$912,000, being 10% of the Consideration, has been paid by the Purchaser to the Seller prior to the date of the Sale and Purchase Agreement;
- (b) an amount of HK\$912,000, being 10% of the Consideration, payable by the Purchaser to the Seller upon completion of the Acquisition;
- (c) an amount of HK\$3,648,000, being 40% of the Consideration, payable by the Purchaser to the Seller on the date falling five (5) months from the date of completion of the Acquisition (if that day is not a Business Day, the immediately preceding Business Day); and
- (d) the remaining balance of HK\$3,648,000, being the remaining 40% of the Consideration, payable by the Purchaser to the Seller on the date falling on ten (10) months from the date of completion of the Acquisition (if that day is not a Business Day, the immediately preceding Business Day).

The Consideration has been or, as the case may be, will be funded by internal resources of the Group.

Conditions precedent:

Completion of the Acquisition is conditional upon:

- (i) (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 Seller and the Purchaser and remaining in full force and effect;
- (ii) the Purchaser, with the assistance of the Seller, having convened a board meeting of the Target Company for the purpose of approving certain matters pertaining to completion of the Acquisition including, amongst other matters, the registration of the transfer of the Sale Shares, the appointment of an additional director and the resignation of an existing director; and
- (iii) the Purchaser, with the assistance of the Seller, having convened a board meeting of the Target Subsidiary for the purpose of approving certain matters pertaining to completion of the Acquisition including, amongst other matters, the appointment of an additional director and the resignation of an existing director.

Completion:

Completion of the Acquisition shall take place within 10 business days after all the above conditions precedent have been fulfilled (or waived, if applicable) which in any event shall not be later than 31 May 2023 or such other date as may be agreed by the parties.

THE OPTION DEEDS

Subject to completion of the Acquisition having taken place in accordance with the terms and conditions of the Sale and Purchase Agreement, the Target Company will be owned as to 61% by the Group (through the Purchaser), 9% by the Seller and 30% by Ever Yield Corporation. The relationship of the shareholders of the Target Company with the Group is more particularly set out in “Information on the Target Company” in this announcement below.

In connection with the Acquisition, concurrent with the signing of the Sale and Purchase Agreement, the parties have also entered into the Put Option Deed and the Call Option Deed. A summary of the principal terms of the Put Option Deed and the Call Option Deed is set out below:

The Call Option Deed

- Date: 28 April 2023
- Parties: (1) the Seller (as the grantor)
- (2) the Purchaser (as the grantee)
- Subject matter: Pursuant to the Call Option Deed, the Seller has granted to the Purchaser the Call Option, the exercise of which shall require the Seller to sell all or any of the Option Shares to the Purchaser at the Option Price.
- The maximum number of the Option Shares is 90,000 issued shares of the Target Company, which represent 9% of the issued share capital of the Target Company as at the date of this announcement.
- Exercise period: The Call Option may be exercised by the Purchaser at any time during the period commencing from the 18th month from the completion of the Acquisition and ending on the day falling on the expiry of the 24th month from the completion of the Acquisition.
- Option Price: The Option Price is equal to HK\$76 per Option Share. Such price is equivalent to the purchase price per Sale Share paid by the Purchaser under the Acquisition. For the basis of determination of the Consideration, please refer to “The Sale and Purchase Agreement – Consideration” above.
- The Option Price for all the Option Shares will be HK\$6,840,000.
- Completion: Upon the exercise of the Call Option, the parties to the Call Option Deed shall be bound to complete the sale and purchase of the Option Shares within 20 business days after the relevant date of exercise of the Call Option.

The Put Option Deed

Date:	28 April 2023
Parties:	(1) the Purchaser (as the grantor) (2) the Seller (as the grantee)
Subject matter:	Pursuant to the Put Option Deed, the Purchaser has granted to the Seller the Put Option, the exercise of which shall require the Purchaser to purchase all or any of the Option Shares from the Seller at the Option Price. The maximum number of the Option Shares is 90,000 issued shares of the Target Company, which represent 9% of the issued share capital of the Target Company as at the date of this announcement.
Exercise period:	The Put Option may be exercised by the Seller at any time during the period commencing from the 18th month from the completion of the Acquisition and ending on the day falling on the expiry of the 24th month from the completion of the Acquisition.
Option Price:	The Option Price for the purchase of the Option Shares upon the exercise of the Put Option is the same with the Option Price under the exercise of the Call Option. Please refer to the above for the details.
Completion:	Upon the exercise of the Put Option, the parties to the Put Option Deed shall be bound to complete the sale and purchase of the Option Shares within 20 business days after the relevant date of exercise of the Put Option.

The grant and receipt of Options do not involve any consideration or option premium in cash.

In the event of the exercise of the Put Option or, as the case may be, the Call Option in full, the Group will have acquired an additional 9% of the issued share capital of the Target Company, thereby increasing its equity interest in the Target Company to 70% and each of the Target Company and the Target Subsidiary will continue to be accounted as a subsidiary of the Company.

It is expected that the purchase price of the Option Shares (if any) will be funded by the Group's internal resources in the event that the Put Option or, as the case may be, the Call Option is exercised.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability. Immediately prior to the signing of the Sale and Purchase Agreement, the Target Company was owned as to 21% by the Seller, 49% by the Purchaser and 30% by Ever Yield Corporation. With effect from the completion of the Acquisition, the issued shares of the Target Company will be owned as to 61% by the Purchaser, with the remaining 39% owned as to 9% by the Seller and 30% by Ever Yield Corporation. The Target Company is an investment holding company, holding the entire issued share capital of the Target Subsidiary, which is the operating company of the Target Group.

The Seller is an indirect wholly-owned subsidiary of Jacobson Pharma Corporation Limited (stock code: 2633), the issued shares of which are listed on the Main Board of the Stock Exchange. The Seller is an investment holding company. As at the date of this announcement, a fellow subsidiary of the Seller held approximately 7.07% of the issued shares of the Company and a wholly-owned subsidiary of the Company is the holder of approximately 4.38% of the issued share capital of JBM (Healthcare) Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 2161) and subsidiary of Jacobson Pharma Corporation Limited. To the best knowledge, information and belief of the Directors, having made all reasonable enquiry, save as disclosed above, the Seller, Jacobson Pharma Corporation Limited and their ultimate beneficial owners are Independent Third Parties.

The owner of the remaining 30% equity interest in the Target Company is Ever Yield Corporation. To the best knowledge of the Directors, each of Ever Yield Corporation and its ultimate beneficial owner is an Independent Third Party and Ever Yield Corporation is principally engaged in investment holding.

The Target Company is an investment holding company which holds the entire equity interests of the Target Subsidiary, being the operating company of the Target Group. The Target Subsidiary is principally engaged in the retail (through one retail outlet) and wholesale of pharmaceutical products and proprietary medicines in Hong Kong. It has over 2,100 stock keeping units of selling products and a wide range of supplier network with over 180 suppliers.

Set out below is a summary of the financial information of the Target Group for the two years ended 31 December 2022:

	For the year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Revenue	176,749	189,335
Loss before taxation	(6,511)	(5,479)
Loss after taxation	(6,511)	(5,479)

The unaudited consolidated total assets and net assets of the Target Group as at 28 February 2023 were approximately HK\$84.2 million and HK\$11.5 million respectively.

REASONS FOR AND BENEFITS OF THE ACQUISITION AND THE GRANT OF THE OPTIONS

The Group is a reputable omnichannel brand marketing and management service integrator of health and well-being related products, specialises in providing one-stop services for brands of PCM (i.e. Proprietary Chinese Medicines as defined in the Chinese Medicine Ordinance Cap. 549, Laws of Hong Kong) and health supplement products, including brand agent, marketing, management, distribution, and sales. The Group has established a strong online and offline sales network in Hong Kong, Macau, and the PRC by cultivating the industry for many years. It has provided over 100 local and foreign brands. The Group also acts as an agent and has sold for an array of brands of PCM, health supplement, skin care, personal care and other healthcare products through online and offline sale channels.

The Group first acquired its 49% equity interest in June 2020. The Directors believe that the Acquisition will allow the Group to consolidate its control over the Target Company and the Target Subsidiary by holding a majority stake in the issued shares of the Target Company and also to consolidate the financial results of the Target Group in the Group's financial results after the completion of the Acquisition.

The Directors believe that following the “complete lifting” of the travel restrictions between Mainland China and Hong Kong, the impact of the COVID pandemic is expected to gradually subside, with a marked improvement in the cross-regional movement of people and a rapid recovery of economic activities. The resumption of normal travel between Hong Kong and the Mainland China will bring visitors to Hong Kong under the Individual Visit Scheme (“IVS”). According to the research conducted by the Hong Kong Tourism Board, there has been significant increase in the total number of Mainland China visitors to Hong Kong in both January and February 2023, as compared to the number in the corresponding period in 2022. In January 2023, the number of visitors from Mainland China has reached over 280,000, representing an increase of over 4,700% when compared to the number for January 2022. The total number of visitors from Mainland China for February 2023 has further increased to over 1.1 million, representing an increase of over 61,000% when compared to the number for February 2022. The management expects that the number of visitors to Hong Kong (both from the Mainland China and other overseas countries) will continue to increase and the Group expects that there will be an increase in revenue related to its popular products for the IVS visitors and a gradual recovery of its offline distribution business will gradually recover to pre-epidemic levels.

In view of the fact that the Target Group is principally engaged in the retail and wholesale of pharmaceutical products and proprietary medicines in Hong Kong, the Directors believe that it is a good opportunity for the Group to increase its shareholding in the Target Group and consolidate its control over it at this moment. The Directors believe that the terms of the Sale and Purchase agreement are fair and reasonable and in the interests of the Shareholders as a whole.

The arrangement in respect of the Options allows the Group to further increase its equity interest in the Target Group at an agreed price which is the same as the price paid by the Group under the Acquisition, which was determined with reference to the prevailing circumstances. In light of the potential growth in the business of the Target Group, the Directors believe that the Options in this aspect are fair and reasonable and in the interest of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Pursuant to the terms and conditions of the Put Option Deed, the Put Option is only exercisable by the Seller. According to Rule 14.74 of the Listing Rules, on the grant of an option the exercise of which is not at the discretion of the listed issuer, the transaction will be classified as if the option had been exercised.

Given the highest applicable percentage ratio (as defined under the Listing Rules) in respect of the Acquisition and the grant of the Put Option, when aggregated, is more than 5% but less than 25%, the Acquisition and the grant of the Put Option, when aggregated, constitute discloseable transactions of the Company under the Listing Rules and are subject to reporting and announcement requirements of Chapter 14 of the Listing Rules. The Acquisition itself is also a discloseable transaction.

The grant of the Call Option by the Seller to the Purchaser does not constitute a notifiable transaction of the Company for the purpose of Chapter 14 of the Listing Rules. The Company will comply with all applicable requirements under the Listing Rules when it exercises the Call Option.

DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares pursuant to the Sale and Purchase Agreement
“Board”	the board of Directors
“Call Option”	the call option granted by the Seller to the Purchaser to require the Seller to sell all or part of the Option Shares to the Purchaser under the Call Option Deed
“Call Option Deed”	the deed dated 28 April 2023 entered into between the Seller and the Purchaser in respect of the grant of the Call Option by the Seller in favour of the Purchaser
“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 (stock code: 3390)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the aggregate sum of HK\$9,120,000, being the consideration paid or payable by the Purchaser to the Seller for the Acquisition

“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 PRC
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Option Deeds”	collectively, the Call Option Deed and the Put Option Deed
“Option Shares”	a maximum of 90,000 issued shares of the Target Company, representing 9% of the issued shares of the Target Company held by the Seller
“Options”	collectively, the Put Option and the Call Option and “Option” shall mean either of them
“Put Option”	the put option granted by the Purchaser to the Seller to require the Purchaser to purchase all or part of the Option Shares under the Option Deed
“Put Option Deed”	the deed dated 28 April 2023 entered into between the Seller and the Purchaser in respect of the grant of the Put Option by the Purchaser in favour of the Seller
“Purchaser”	Million Effort Investment Limited, a wholly owned subsidiary of the Company
“Sale and Purchase Agreement”	the sale and purchase agreement dated 28 April 2023 entered into between the Purchaser and Seller in relation to the Acquisition
“Sale Shares”	a total of 120,000 issued shares of the Target Company, representing 12% of the issued shares of the Target Company
“Seller”	Coming Wealth Inc., a company incorporated in the British Virgin Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Target Company”	Hong Ning Hong Limited (康寧行有限公司), a company incorporated in Hong Kong with limited liability
“Target Group”	collectively, the Target Company and the Target Subsidiary
“Target Subsidiary”	Hong Kong Han Lam Tong Medicine Limited (香港杏林堂藥業有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target Company
“%”	per cent.

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

Hong Kong, 28 April 2023

As at the date of this announcement, the executive Director is Mr. Wong Ka Chun Michael; four non-executive Directors are Mr. Cao Weiyong, Ms. Chong Yah Lien, Ms. Li Ka Wa Helen and Mr. Lau Ka On David; and three 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).