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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 49% INTEREST IN THE TARGET

The Board announces that after trading hours on 1 June 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the SP Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares at the Consideration of HK\$41,650,000.

The Sale Shares represent 49% of the issued shares of the Target which as at the date of the SP Agreement, is owned as to 70% by the Vendor. The Target Group is principally engaged in the retail and wholesale of pharmaceutical products and proprietary medicines via its retail outlets in Hong Kong.

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.

The Board announces that after trading hours on 1 June 2020, the Purchaser, an indirect wholly-owned subsidiary of the Company, and the Vendor entered into the SP Agreement, pursuant to which the Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares at the Consideration of HK\$41,650,000. The principal terms of the SP Agreement are summarised as follows:

THE SP AGREEMENT

Date : 1 June 2020.

Parties

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

Vendor : The Vendor, a company incorporated in BVI with limited liability and principally engaged in investment holding.

The Vendor 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. As at the date of this announcement, a fellow subsidiary of the Vendor held approximately 7.07% of the issued shares of the Company and that another fellow subsidiary of the Vendor was one of the Group's top suppliers during the years ended 31 December 2017, 2018 and 2019 respectively. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the Vendor and its ultimate beneficial owner(s) is an Independent Third Party.

Assets to be acquired

The Purchaser conditionally agreed to purchase, and the Vendor conditionally agreed to sell, the Sale Shares. The Sale Shares represent 49% of the issued shares of the Target. Further particulars of the Target and the Target Group are set out in the section headed "Information on the Target" below.

Consideration

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

- (1) a deposit of HK\$4,165,000 ("**Deposit**"), being 10% of the Consideration, has been paid upon execution of the SP Agreement; and
- (2) as to the remaining balance of HK\$37,485,000 shall be paid on the date of Completion.

The Consideration will be funded by a combination of the net proceeds from the Global Offering (as to approximately HK\$16.1 million) and the internal resources of the Group (as to approximately HK\$25.6 million). 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 financial performance of the Target Subsidiary, the unaudited net asset value of the Target Subsidiary of approximately HK\$30,358,000 as at 31 January 2020 and the reasons as set out in the section headed "Reasons for and benefits of the Acquisition" below.

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 SP Agreement having been obtained by the Vendor and remaining in full force and effect;
- (2) the Purchaser having been provided with the audited financial statements of the Target and the Target Subsidiary for the accounting period ended on 31 March 2020;
- (3) the Purchaser having carried out and completed the due diligence review of the Target Subsidiary (whether legal, accounting, financial, operational or other aspects that the Purchaser considers necessary) and being satisfied with the results of the due diligence review of the Target Subsidiary and their related business, assets, liabilities, activities, operations, financial position and prospects in all respects;
- (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 licenses held by the Target Subsidiary 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 licenses have occurred up to Completion.

If any of the above conditions precedent shall not have been fulfilled or waived (as the case may be) on or before 8 June 2020 (or such later date to be agreed between the parties in writing), the SP Agreement shall terminate (save and except certain provisions, including confidentiality and announcements, notices and governing law) and the Vendor shall return the Deposit to the Purchaser within 7 Business Days from such date, and the obligations of the parties to proceed with the Completion shall cease and terminate and no party shall have any claim against or liability to the other party with respect to any matter referred to in the SP Agreement save for any antecedent breaches of the SP Agreement.

Completion

The Completion shall take place a day on the 5th Business Day after the conditions precedent are fulfilled or waived or such other date as the Purchaser and the Vendor shall agree in writing.

INFORMATION ON THE TARGET

The Target is a company incorporated in Hong Kong with limited liability which as at the date of this announcement, is owned as to 70% by the Vendor and as to 30% by an Independent Third Party. The 30% equity holder of the Target is the principal operator of the business of the Target Group.

The Target is an investment holding company which holds the entire equity interests of the Target Subsidiary, being the operating subsidiary of the Target Group. The Target Subsidiary is principally engaged in the retail (through two retail outlets) and wholesale of pharmaceutical products and proprietary medicines in Hong Kong. It has over 4,000 stock keeping units of selling products and a wide range of supplier network with over 200 suppliers.

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

	For the year ended 31 March 2018 <i>HK\$</i> (audited)	For the year ended 31 March 2019 <i>HK\$</i> (audited)
Revenue	195,617,000	226,516,000
Profit before taxation	4,913,000	5,369,000
Profit after taxation	4,084,000	4,490,000

The unaudited total assets and net assets of the Target Subsidiary as at 31 January 2020 were approximately HK\$39,511,000 and HK\$30,358,000 respectively.

Upon Completion, the Company will hold 49% of the issued shares of the Target, and the Vendor and an Independent Third Party will hold 21% and 30% of the issued shares of the Target respectively, and the Target Group is expected to be equity accounted for as an associate 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 stores, 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 by increasing their accessibility and availability to consumers through, among other ways, expanding the sales channels of the Group to non-chain retailers of the Group’s products in Hong Kong.

The Target Group is principally engaged in both retail and wholesale of pharmaceutical products and proprietary medicines in Hong Kong. The Acquisition reinforces the aforementioned strategy of the Group in that it allows the Group to have instant access to the existing customer base of the Target Group with a view to increasing the accessibility and availability of the Group’s products to consumers or other customers of the Target Group. In addition, upon Completion, the Group can, through the Target Group, also expand its offline sales and increase the market penetration of the Group’s products to consumers. Further, it is expected that the Group can through the retail and wholesale activities of the Target Group obtain first-hand market intelligence which allows the Group to capitalise on further market opportunities and new product development with a view to providing growth potential of the Group. All of these are considered as benefits that the Group may enjoy as a result of the Acquisition.

The terms of the SP Agreement were determined after arm’s length negotiations between the parties thereto. In light of the above reasons, the Board is 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 Shares 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 and any day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.) on which banks are generally open in Hong Kong for business
“BVI”	the British Virgin Islands
“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
“Completion”	the completion of the Acquisition
“connected person”	has the meaning ascribed to it in the Listing Rules
“Consideration”	HK\$41,650,000, the total consideration of the Acquisition
“Director(s)”	the director(s) of the Company
“Global Offering”	the offering of shares of the Company as more particularly described in the prospectus of the Company dated 30 March 2020 issued in connection with the listing of the shares of the Company on the Main Board of the Stock Exchange on 15 April 2020
“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
“Purchaser”	Million Effort Investment Limited, 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 1 June 2020 entered into between the Vendor and the Purchaser in relation to the Acquisition

“Sale Shares”	490,000 shares of the Target, representing 49% of the issued shares of the Target
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Hong Ning Hong Limited (康寧行有限公司), a company incorporated in Hong Kong with limited liability
“Target Group”	together, the Target and the Target Subsidiary
“Target Subsidiary”	a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Target
“Vendor”	Coming Wealth Inc., a company incorporated in BVI with limited liability

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

Hong Kong, 1 June 2020

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Wong Ka Chun Michael and Mr. Chan Fan Shing; 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.