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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult licensed securities dealer or registered institution in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Tycoon Group Holdings Limited, you should at once hand this circular, together with the accompanying proxy form to the purchaser(s) or transferee(s) or to the bank, licensed securities dealer or registered institution in securities, or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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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)

## CONTINUING CONNECTED TRANSACTIONS – MASTER SALE AND PURCHASE AGREEMENT AND NOTICE OF EGM

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

**BALLAS**  
C A P I T A L

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Capitalised terms defined in this circular shall have the same meanings when used in this cover.

A letter from the Board is set out on pages 5 to 17 of this circular.

A letter from the Independent Board Committee containing its recommendation to the Independent Shareholders is set out on pages 18 to 19 of this circular. A letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 20 to 36 of this circular.

A notice convening the EGM to be held at Commons Workshop, 28/F, Sunshine Plaza, 353 Lockhart Road, Wan Chai, Hong Kong, on Friday, 16 April 2021 at 10 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for the EGM is also enclosed with this circular.

Whether or not you intend to attend and vote at the EGM or any adjourned meetings in person, you are requested to complete and return the accompanying proxy form in accordance with the instructions printed thereon and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 10 a.m. on Wednesday, 14 April 2021 or not less than 48 hours before the time appointed for the holding of the EGM or any adjourned meeting. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjourned meeting if you so wish, and in such case, the proxy form previously submitted shall be deemed to be revoked.

#### PRECAUTIONARY MEASURES FOR THE EGM

To safeguard the health and safety of Shareholders and to prevent the spreading of the COVID-19 pandemic, the following precautionary measures will be implemented at the EGM:

- (1) compulsory body temperature screening/checks;
- (2) compulsory wearing of surgical face mask;
- (3) maintaining a safe distance between seats;
- (4) where necessary, participants will be required to sit in different rooms or partitioned areas; and
- (5) no provision of refreshments or drinks, and no handing out of corporate gifts or gift coupons.

Any person who does not comply with the precautionary measures will be denied entry into or be required to leave the EGM venue.

For the health and safety of Shareholders, the Company strongly encourages Shareholders to exercise their right to vote at the EGM by appointing the Chairman of the EGM as their proxy and to return their proxy forms by the time specified above, instead of attending the EGM in person.

The Company will keep the evolving COVID-19 situation under review and may implement and/or announce additional measures before the date of the EGM.

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## DEFINITIONS

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

“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 the CR Pharma Group
“CR Retail”	China Resources Pharmaceutical Retail Group Limited, an investment holding company incorporated in the 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 held at Commons Workshop, 28/F, Sunshine Plaza, 353 Lockhart Road, Wan Chai, Hong Kong on Friday, 16 April 2021 at 10 a.m. for the Independent Shareholders to consider and, if thought fit, and approve by poll, among other things, the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps) (or any adjournment thereof), the notice of which is set out on pages EGM-1 to EGM-3 of this circular

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## DEFINITIONS

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“Existing Master Supply Agreement”	the master supply agreement dated 1 January 2020 and entered into between Tycoon Hong Kong and CR Pharmaceutical in relation to the supply of products from Tycoon Hong Kong and/or its fellow subsidiary(ies) to the CR Pharma Group for a term commencing on the date of such agreement and ending on 31 December 2021
Existing Purchase Transactions”	the expected existing purchases of CR Products by the Group commencing on 1 January 2021 and up to the time prior to the Master Sale and Purchase Agreement having become unconditional
“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 non-executive Directors, namely Mr. Wong Yuk Woo Louis, Mr. Chung Siu Wah and Ms. Chan Ka Lai Vanessa, formed to advise the Independent Shareholders in respect of the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Independent Financial Adviser”	Ballas Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps)

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## DEFINITIONS

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“Independent Shareholders”	Shareholders who are not prohibited from voting at the EGM in respect with the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps)
“Latest Practicable Date”	19 March 2021, being the latest practicable date to ascertain certain information contained herein before the printing of this circular
“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 (“ <b>Billion Crown</b> ”), 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

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## DEFINITIONS

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“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 (“ <b>Titita</b> ”), 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)
“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 circular, 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
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“Share Offer”	the offering of shares of the Company as more particularly described in the Prospectus
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“substantial shareholder”	has the meaning ascribed to it under the Listing Rules
“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.

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## LETTER FROM THE BOARD

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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)**

*Executive Director:*

Mr. Wong Ka Chun Michael

*Non-executive Directors:*

Mr. Yao Qingqi

Ms. Chong Yah Lien

Mr. Ng Wang Yu Gary

Ms. Li Ka Wa Helen

*Independent Non-Executive Directors:*

Mr. Wong Yuk Woo Louis

Mr. Chung Siu Wah

Ms. Chan Ka Lai Vanessa

*Registered Office:*

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

*Head Office and Principal Place of  
Business in Hong Kong:*

Room 14, 8/F

Wah Wai Centre

38 – 40 Au Pui Wan Street

Shatin, New Territories

Hong Kong

25 March 2021

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS – MASTER SALE AND PURCHASE AGREEMENT**

Reference is made to the announcement of the Company dated 8 February 2021 in relation to the entering into of the Master Sale and Purchase Agreement and the continuing connected transactions contemplated thereunder.

Reference is also made to the Prospectus. As set out in “Connected Transaction – Non-exempt Continuing Connected Transactions – (1) Master Supply Agreement” of the Prospectus, Tycoon Hong Kong, a wholly-owned subsidiary of the Company and CR Pharmaceutical entered into the Existing Master Supply Agreement on 1 January 2020, pursuant to which, Tycoon Hong Kong agreed to sell or procure its fellow subsidiary(ies) to sell and CR Pharmaceutical agreed to purchase, through itself or its subsidiaries, certain PCM, health supplement and other healthcare products sold by the Group for a period from 1 January 2020 to 31 December 2021.

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## LETTER FROM THE BOARD

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Pursuant to the Existing Master Supply Agreement, the Group has been selling products to the CR Pharma Group on an on-going basis. The Group has also made occasional purchases from the CR Pharma Group in a relatively insignificant amount. As the business relationship between the parties gets closer, in addition to the Group selling its products to the CR Pharma Group, the Group also wishes to purchase certain products from the CR Pharma Group on an on-going basis to, among others, further diversify its product offerings and to widen its base of suppliers.

Despite the Existing Master Supply Agreement will only expire on 31 December 2021, on 8 February 2021, the Company and CR Pharmaceutical entered into the Master Sale and Purchase Agreement, pursuant to which (i) the Company conditionally agrees to purchase and CR Pharmaceutical conditionally agrees to sell the CR Products, and (ii) the Company conditionally agrees to sell and CR Pharmaceutical conditionally agrees to purchase the Tycoon Products, in each case, for itself and its subsidiaries.

Prior to the Master Sale and Purchase Agreement having become unconditional, the Board intends to supply Tycoon Products to the CR Pharma Group in accordance with the Existing Master Supply Agreement and purchase CR Products from the CR Pharma Group under the Existing Purchase Transactions.

The transactions contemplated under the Master Sale and Purchase Agreement and the Existing Purchase Transactions constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The purpose of this circular is to provide you with, among other things, (i) further information regarding the terms of the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps); (ii) the recommendation of the Independent Board Committee to the Independent Shareholders in respect of the entry into the Master Sale and Purchase Agreement and the transactions thereunder (including the proposed annual caps thereunder); (iii) the letter from the independent financial adviser containing its advice to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.



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## LETTER FROM THE BOARD

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### MASTER SALE AND PURCHASE AGREEMENT AND EXISTING PURCHASE TRANSACTIONS

A summary of the principal terms of the Master Sale and Purchase Agreement is set out below:

#### Date

8 February 2021

#### Parties

1. the Company; and
2. CR Pharmaceutical, the holding company of CR Retail, a substantial shareholder of the Company

#### Duration

The Master Sale and Purchase Agreement is for a term commencing on the date of such agreement and ending on 31 December 2023.

#### Condition precedent

The Master Sale and Purchase Agreement is conditional upon the Independent Shareholders approving the Master Sale and Purchase Agreement and the transactions contemplated thereunder at the EGM on or before 30 April 2021 (or any other date agreed by the parties).

Upon the Master Sale and Purchase Agreement having become unconditional, the Company shall procure Tycoon Hong Kong to enter into an agreement with CR Pharmaceutical to terminate the Existing Master Supply Agreement.

#### Nature of transactions

Pursuant to the Master Sale and Purchase Agreement, (i) the Company conditionally agrees to purchase and CR Pharmaceutical conditionally agrees to sell the CR Products, and (ii) the Company conditionally agrees to sell and CR Pharmaceutical conditionally agrees to purchase the Tycoon Products, in each case, for itself and its subsidiaries.

In relation to the CR Products to be purchased by the Group from the CR Pharma Group, it is expected that approximately 90% of such products will be a third-party brand medical ointment (“**Existing Product**”) which the Group has been sourcing from independent third parties since August 2020 and now plans to purchase from the CR Pharma Group going forward upon the Master Sale and Purchase Agreement becoming effective. The remaining 10% of such products will be other PCM, health supplement and other healthcare products.

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## LETTER FROM THE BOARD

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In relation to the Tycoon Products to be sold by the Group to the CR Pharma Group, these products will mainly be the various PCM, health supplement and other healthcare products sourced by the Group from various brand owners, distributors and traders. The CR Pharma Group will, depending on their actual business needs, decide on the types and quantity of such products to purchase from the Group.

There is no overlapping of products in respect of the CR Products and the Tycoon Products. It is a term of the Master Sale and Purchase Agreement that the Group shall not re-sell the CR Products purchased to the CR Pharma Group and the CR Pharma Group shall not re-sell the Tycoon Products purchased to the Group.

There is no minimum supply or purchase amount under the Master Sale and Purchase Agreement and selection of the products to be purchased by either party shall be at the discretion of such party.

For the avoidance of doubt, the NC Products Distribution Agreements shall be independent from the Master Sale and Purchase Agreement and the validity of the NC Products Distribution Agreements will not be affected. The NC Products Distribution Agreements are the master purchase agreements which regulate the purchase by the Group of specific products i.e. certain Nature's Care Pro series of products under the brand name of Nature's Care manufactured by Nature's Care Manufacture Pty. Ltd from the specific subsidiary of the CR Pharma Group, i.e. Hong Kong CR Sanjiu. All other purchases from the CR Pharma Group by the Group will therefore be governed by the Master Sale and Purchase Agreement. For details of the NC Products Distribution Agreements, please refer to "Connected Transaction – Non-exempt Continuing Connected Transactions – (2) NC Products Distribution Agreements" of the Prospectus.

### **Termination**

During the term of the Master Sale and Purchase Agreement, either party to the Master Sale and Purchase Agreement has the right to terminate such agreement by giving not less than three months' notice in writing to the other party.

### **Pricing and payment terms**

Pursuant to the Master Sale and Purchase Agreement, the prices, payment terms, quantities and detailed terms with respect to the CR Products or, as the case may be, Tycoon Products shall be determined in accordance with the specific purchase orders to be placed by and shall be on normal commercial terms negotiated and agreed upon on an arm's length basis by the parties with reference to the prevailing selling prices of the CR Products or, as the case may be, Tycoon Products and at prices and terms (including the payment terms) no less favourable to the Group or, as the case may be, no more favourable to the CR Pharma Group than prices and terms (including the payment terms) of sale of such products by the respective party, to their other independent customers.

In determining the actual transaction prices and terms of the CR Products or, as the case may be, the Tycoon Products in respect of each purchase order, the CR Pharma Group or, as the case may be, the Group will take into account the then prevailing market price of

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## LETTER FROM THE BOARD

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the such products, the volume of such products in the purchase order and (where applicable) the terms of supply between the CR Pharma Group or the Group and their respective suppliers (including, where applicable, the suggested retail price of such products from the suppliers).

In assessing whether the actual transaction prices and terms of the CR Products are reasonable and no less favourable to the Group than those offered by other independent third party suppliers, the Group will take into account (i) whether the products can be sourced from other independent suppliers; and (ii) if so, a minimum of two quotations (including prices and payment terms) in respect of such products in such volume from other independent suppliers. The procurement supervisor of the Group will review the purchase price and payment terms of each relevant purchase order with reference to the factors above. Based on the current procurement plan of the Group, all CR Products to be purchased by the Group are available from other independent suppliers. In the event that there are certain CR Products the Group would like to purchase in future which are not available from other independent suppliers in Hong Kong, the Group will take into account (i) the potential profit margin for selling such products; (ii) the prices of other similar products in the market; and (iii) the popularity of such products among the end customers in assessing whether the price of such products as offered by the CR Pharma Group is reasonable and whether to source such products from the CR Pharma Group for distribution.

In assessing whether the actual transaction prices and other terms of the Tycoon Products offered to the CR Pharma Group are no less favourable than the fair market prices and terms for such Tycoon Products or similar products offered by the Group to other independent purchasers, the relevant personnel of the Group will keep track of the transaction record on the sale of the relevant Tycoon Products or similar products to other independent customers.

### Historical figures and annual caps

Set out below is a summary of the historical total sales by the Group to the CR Pharma Group during the three years ended 31 December 2020 and the proposed annual caps for the sale of Tycoon Products for each of the three years ending 31 December 2023 contemplated under the Master Sale and Purchase Agreement:

<b>Historical sales amount</b>			<b>Proposed annual cap for the sale of the Tycoon Products for each of the three years ending 31 December 2023</b>		
<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>(unaudited)</i> <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<u>31,664</u>	<u>46,644</u>	<u>27,052</u>	<u>300,000</u>	<u>360,000</u>	<u>432,000</u>

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## LETTER FROM THE BOARD

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Set out below is a summary of the historical total purchases by the Group from the CR Pharma Group (excluding the purchases made under the NC Products Distribution Agreements) during the three years ended 31 December 2020 and the proposed annual caps for the purchases of CR Products for each of the three years ending 31 December 2023 contemplated under the Master Sale and Purchase Agreement:

<b>Historical purchases amount</b>			<b>Proposed annual cap for the purchase of the CR Products for each of the three years ending 31 December 2023</b>		
<b>FY2018</b>	<b>FY2019</b>	<b>FY2020</b>	<b>FY2021</b>	<b>FY2022</b>	<b>FY2023</b>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>(unaudited)</i> <i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nil	5,505	2,911	300,000 <i>(Note)</i>	360,000	432,000
<u>Nil</u>	<u>5,505</u>	<u>2,911</u>	<u>300,000</u>	<u>360,000</u>	<u>432,000</u>

*Note:* Such annual cap shall include the purchases under the Existing Purchase Transactions (if any).

The proposed annual caps for the sale of the Tycoon Products for each of the three years ending 31 December 2023 are estimated by the Company based on the following major factors:

1. *the amount of historical sales* – the historical sales amount for FY2018 and FY2019, which represented an increase of 21.4% in sales, were only made to CR Care excluding other members of the CR Pharma Group. The sales made to the CR Pharma Group in FY2020 had decreased when compared with FY2019 principally due to the widespread of Covid-19 in Hong Kong and the PRC and the various draconian measures implemented by the Hong Kong and the PRC government such as travel restrictions which has resulted in a significant drop in the number of tourists coming to Hong Kong and thus the demand for the Group's products. With the contemplation of recovery of the market and the economy post-COVID-19 in FY2021 and the further expansion of the Group's e-commerce business in the PRC, the management of the Company foresees that future sales will not only be restored to the pre-COVID-19 level but also outperform the previous years;
2. *the strategic shareholding relationship between the Group and the CR Pharma Group* – CR Pharmaceutical became a shareholder of the Company in 2019 and after Listing, has remained as a substantial shareholder of the Company. CR Pharmaceutical is one of the largest pharmaceutical distributors in the PRC, operating over 850 retail pharmacies in the PRC and one of the leading health chain retailers in Hong Kong (operates through CR Care) that has over 90 retail outlets, it is expected that with constant improvement in product offerings by the Group and the close relationship between the Group and the CR Pharma Group, there will be increasing demand from members of the CR Pharma Group for the Tycoon Products; and

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## LETTER FROM THE BOARD

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3. *the future development plan of the Group and the CR Pharma Group* – the Group is committed to expanding its distribution business in the PRC, especially to the Guangdong-Hong Kong-Macao Greater Bay Area (“**GBA**”) which the Group believes the increasing purchasing power of the people in the PRC, together with the improving living standard and increasing health awareness especially in the post-coronavirus pandemic era will drive up the demand for healthcare products in the PRC. Moreover, with the Work Plan for Regulatory Innovation and Development of Pharmaceutical and Medical Device in the Guangdong-Hong Kong-Macao Greater Bay Area promulgated by the central government of the PRC in late November 2020, which specifically allows, among others, designated healthcare institutions operating in the nine cities of the GBA to use Hong Kong-registered drugs with urgent clinical use upon approval and simplification of the registration process for importing proprietary Chinese medicines for external use registered in Hong Kong, the Group expects that there will be more sales of the Tycoon Products to the CR Pharma Group for distribution in the GBA. In addition, a joint venture of the Group and the CR Pharma Group, Runman Pharmaceutical Trading Co. Ltd. (“**Runman**”), which is also a subsidiary of CR Pharmaceutical, is in the process of obtaining a food business permit and a pharmaceutical trade licence. It is expected that upon Runman obtaining such permit and licence, more sales will be made to the CR Pharma Group for further distribution in the PRC, through Runman.

In arriving at the proposed annual cap for the sale of the Tycoon Products for FY2021 (HK\$300 million), approximately (i) 20% of such cap is expected to be attributable to the sales to CR Care; (ii) 50% of such cap is expected to be attributable to the sales to Runman for sales to the PRC market; and (iii) 30% of such cap is expected to be attributable to the sales to designated healthcare institutions in the GBA as a result of the Work Plan. As at the Latest Practicable Date, as regards the proposed sale under the Work Plan, the management of the Company has received a quotation invitation from the CR Pharma Group in relation to the procurement for a hospital in the PRC which is one of the customers of the CR Pharma Group and the sales amount under such quotation is approximately HK\$17.0 million for FY2021. To the best knowledge of the Directors, there are around 350 hospitals in the GBA which are the customers of the CR Pharma Group. The Directors expect that the CR Pharma Group will source the Tycoon Products for at least 5 of these hospitals upon the implementation of the Work Plan.

The proposed annual cap for the sale of the Tycoon Products for each of FY2022 and FY2023 is estimated to increase by 20% as compared to the preceding year. Such growth rates were determined after taking into account the inflation, organic business growth and market growth of the PRC medical industry.

During FY2018, FY2019 and FY2020, the Group had made purchases from the CR Pharma Group in the amount of nil, approximately HK\$5.5 million and HK\$2.9 million respectively. The proposed annual caps for the purchase of the CR Products for each of the three years ending 31 December 2023 are estimated with reference to (i) the procurement and sales plans of the Group, among which, the Board estimates that around 90% of such proposed annual caps represents the expected purchase amount for the Existing Product which the Group has commenced sourcing from independent third parties since August 2020

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## LETTER FROM THE BOARD

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and selling via e-commerce portals which mainly target the PRC consumers; (ii) the historical purchase amount of the Existing Product (which was approximately HK\$55.4 million for FY2020); and (iii) the expected rapid growth in sales in e-commerce portals.

The proposed annual cap for the purchase of the CR Products for each of FY2022 and FY2023 is estimated to increase by 20%, respectively, as compared to the preceding year. Such growth rates were determined after taking into account the inflation, organic business growth and market growth of the PRC medical industry.

Commencing from 1 January 2021 till the Master Sale and Purchase Agreement having become unconditional, the Board estimates that the highest purchase amount of the CR Products under the Existing Purchase Transactions will be less than HK\$10 million. The Group and the CR Pharma Group will enter into an individual purchase order for each transaction under the Existing Purchase Transactions. The terms of each of such order shall be on normal commercial terms negotiated on an arm's length basis by the parties with reference to the prevailing prices of the CR Products and at prices and terms no less favourable to the Group than those offered by other independent third party suppliers.

### **REASONS FOR AND BENEFIT OF ENTERING INTO THE MASTER SALE AND PURCHASE AGREEMENT**

The Group is a provider of a number of PCM, health supplement, skin care, personal care and other healthcare products, predominately in Hong Kong. On the other hand, 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 30 June 2020, the CR Pharma Group operated over 90 retail outlets under CR Care in Hong Kong as well as over 850 retail pharmacies under national or regional premium brands – “CR Care (華潤堂)” and “Teck Soon Hong (德信行)” in the PRC.

CR Care has been a customer of the Group since 2015 and has remained as one of the major customers of the Group. Historically, save for the purchases made under the NC Products Distribution Agreements which were signed in January 2020, the Group only made insignificant amount of purchases from the CR Pharma Group. As the business relationship between the Group and the CR Pharma Group gets closer, the Group also wishes to purchase certain products from the CR Pharma Group to, among others, further diversify its product offerings and to widen its base of suppliers. Moreover, the Group is normally only granted a short credit period and is required to make bulk purchase at a time when sourcing its products from the other brand owners, manufacturers or authorised distributors yet the products sourced usually take a much longer time to sell. Such purchase arrangements therefore adversely affect the Group's cash flow and the Group's capacity to roll out more new products at a time.

By entering into the Master Sale and Purchase Agreement, the Group can, on one hand access to the CR Pharma Group's network of retail outlets to Tycoon Products to more consumers and on the other hand, broaden its existing base of suppliers and product offerings as well as enjoy a more favourable payment terms. In addition, the CR Pharma

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## LETTER FROM THE BOARD

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Group with its size, scale and reputation is in a better position to obtain the distribution rights and/or authorisations of more products and to bargain for a more competitive price when sourcing the products which will in turn benefit the Group.

Despite the increase in the proposed annual caps is substantial compared with the historical sales to and purchases from the CR Pharma Group, the Directors are of the view that there is no material reliance on the CR Pharma Group on the following grounds:

1. Historically, a majority of the Group's sales were made to a few major customers. Such major customers of the Group have been chain retailers and the management of the Group expects that the sales to chain retailer customers (including CR Care, one of the major chain retailers in Hong Kong and a wholly-owned subsidiary of CR Pharmaceutical) will continue to contribute a significant amount to the revenue of the Group in the foreseeable future. It is in fact an industry norm for PCM and health supplement products distributors to distribute their products through retail chain channels as it is the most effective and efficient way for distribution through the extensive sales network of the major chain retailers to make the products available to all groups of target customers and tourists. For each of the three years ended 31 December 2019, a majority of the top five customers of the Group were chain retailer customers. With the expected recovery of the market and the economy post-COVID 19 pandemic, the management believes the demand for the Group's products by its various retail chain customers will continue to be strong.
2. Nevertheless, in order to reduce the risk exposure on heavy reliance on any particular customer, the Group has been actively expanding its e-commerce business in the PRC. Based on the unaudited management accounts of the Group for FY2020, three of the top five customers of the Group are e-commerce portal service providers as the Group's e-commerce sales has increased significantly in FY2020, partly due to the efforts of the Group in its e-commerce business expansion and partly due to the outbreak of COVID-19 and the implementation of various stringent preventive measures adopted by the government of Hong Kong and the PRC.
3. On the other hand, the Group is also actively expanding its offline distribution business in Hong Kong, Macau and the GBA. As disclosed in the announcement of the Company dated 1 June 2020, the Group has acquired 49% interest in a company which in turn holds a subsidiary engaging in the retail (through two retail outlets) and wholesale of pharmaceutical products and proprietary medicines in Hong Kong. Such acquisition not only allows the Group to have instant access to the existing customer base of the target group but also enables the Group to expand its offline sales and increase the market penetration of the Group's products to consumers. This proves the Group's efforts to enhance the mix of its sales channel.

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## LETTER FROM THE BOARD

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4. As disclosed in the announcement of the Company dated 15 September 2020, the Group has acquired 80% interest in a company which is a limited company incorporated in Macau principally engages in the import and distribution of pharmaceuticals, proprietary Chinese medicine and healthcare products in Macau. It has a distribution network with over 300 retail stores in Macau as its customers. Through such acquisition, the Group can, by utilising the company's existing and well-established distribution channels and customer base in Macau, expand its offline sales and increase the market penetration of the Group's products to consumers in Macau.
5. Regarding the purchase side, as disclosed above, it is expected that around 90% of the proposed annual caps for the purchase of CR Products would be for the purchase of the Existing Product which the Group has already been sourcing from the independent third parties since August 2020. The reason to purchase the Existing Product from the CR Pharma Group instead of independent third parties is mainly because the CR Pharma Group can (i) grant the Group more favourable pricing and payment terms given its ability to enjoy these terms offered by independent third parties due to its stronger bargaining power in view of its size, scale and reputation; (ii) grant the Group a longer credit period given its strategic relationship with the Group; and (iii) allow the Group to purchase, in respect of each purchase order, a smaller volume instead of bulk purchase which enables the Group to keep lower inventory level and maintain healthier cash flow. In the event the CR Pharma Group ceases to supply the Existing Product to the Group, the Group can still purchase the Existing Product from other independent third parties.
6. Based on the Group's current procurement plan, a majority of its products will be sourced from other independent third party suppliers.
7. There is an established relationship between the Group and the CR Pharma Group. Since the incorporation of the Group in 2015, CR Care has been a customer of the Group and was one of the top five customers of the Group for the four years ended on 31 December 2019. The relationship between the Group and the CR Pharma Group grows stronger since 2019 when CR Pharmaceutical became a shareholder of the Company and has remained as a substantial shareholder of the Company after Listing. As at the Latest Practicable Date, the Group has entered into various long term master agreements with the CR Pharma Group, including the Existing Master Supply Agreement (which has been superseded by the Master Sale and Purchase Agreement) and the NC Products Distribution Agreements. As the Group and the CR Pharma Group have been getting along well since 2015 and mutual trust has been built up between the parties, the management is therefore of the view that it is unlikely that there will be material adverse change in or even termination of the relationship between the parties.



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## LETTER FROM THE BOARD

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The Directors believe that the entering into the Master Sale and Purchase Agreement will benefit the Group by enabling the Group to have access to the CR Pharma Group's network of retail outlets through which the Group can bring Tycoon Products to more consumers as well as to broaden the existing base of suppliers and the product offerings of the Group.

The Directors (including the independent non-executive Directors whose views have been formed taking into account the advice of the Independent Financial Adviser) consider that the terms of the Master Sale and Purchase Agreement, arriving after arm's length negotiations between the parties, are fair and reasonable and the transactions contemplated thereunder (and the proposed annual caps) are entered into in the ordinary and usual course of business of the Company on normal commercial terms 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 proprietary Chinese medicine (PCM), health supplement, skin care, personal care and other healthcare products, predominately in Hong Kong.

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 30 June 2020, the CR Pharma Group operated over 90 retail outlets under CR Care in Hong Kong as well as over 850 retail pharmacies under national or regional premium brands – “CR Care (華潤堂)” and “Teck Soon Hong (德信行)” in the PRC.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, CR Pharmaceutical is the holding company of CR Retail, a substantial shareholder of the Company interested in approximately 18.99% of the issued share capital 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 and the Existing Purchase Transactions constitute continuing connected transactions under Chapter 14A of the Listing Rules.

Since none of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transactions under the Existing Purchase Transactions will exceed 5%, the continuing connected transactions under the Existing Purchase Transactions are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Company will monitor the amount of purchases of CR Products from the CR Pharma Group closely.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) calculated based on the proposed largest annual cap for the continuing connected transactions completed the Master Sale and Purchase Agreement exceeds 5% and the

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## LETTER FROM THE BOARD

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proposed largest annual cap exceeds HK\$10 million, the continuing connected transactions thereunder are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that CR Retail is a substantial shareholder of the Company and each of Mr. Yao Qingqi and Ms. Chong Yah Lien is a non-executive Director and a director of CR Retail, each of Mr. Yao Qingqi and Ms. Chong Yah Lien had abstained from voting on the resolutions of the Board to approve the Master Sale and Purchase Agreement and the transactions contemplated thereunder. Save as disclosed above, no Director has any material interests in the transactions contemplated under the Master Sale and Purchase Agreement.

### EGM

The EGM will be convened to consider and, if thought fit, approve the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps). To the best of the Directors' knowledge, information and belief, as at the Latest Practicable Date, save for CR Retail which is the owner of 151,895,000 issued shares of the Company, representing approximately 18.99% of the issued share capital of the Company, no Shareholder has any material interest in the Master Sale and Purchase Agreement and hence is required to abstain from voting on the relevant resolutions to approve the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps) at the EGM, pursuant to Rule 14A.36 of the Listing Rules.

An Independent Board Committee has been established to advise the Independent Shareholders on the terms of the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps). Ballas Capital Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the terms of the Master Sale and Purchase Agreement and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable, and whether they are in the interests of the Company and the Shareholders as a whole. The Independent Board Committee comprises Mr. Wong Yuk Woo Louis, Mr. Chung Siu Wah and Ms. Chan Ka Lai Vanessa, each an independent non-executive Director.

A notice convening the EGM to be held at Commons Workshop, 28/F, Sunshine Plaza, 353 Lockhart Road, Wan Chai, Hong Kong on Friday, 16 April 2021 at 10 a.m. is set out on pages EGM-1 to EGM-3 of this circular. A proxy form for the EGM is enclosed. Whether or not you intend to attend the EGM, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the same to the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, situated at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event by Wednesday, 14 April 2021, or not less than 48 hours before the time appointed for holding of the EGM or any adjournments thereof. Completion and return of the proxy form will not preclude you from attending and voting at the EGM or any adjournments thereof should you so wish, and in such case, the proxy form previously submitted shall be deemed to be revoked.

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## LETTER FROM THE BOARD

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For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 13 April 2021 to Friday, 16 April 2021, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 12 April 2021.

### **Precautionary Measures for the EGM**

Please see the paragraph headed "PRECAUTIONARY MEASURES FOR THE EGM" in the cover of this circular for measures being taken to try to prevent and control the spread of COVID-19. For the health and safety of the Shareholders, the Company would like to encourage Shareholders to exercise their right to vote at the EGM by appointing the chairman of the EGM as their proxy instead of attending the EGM in person. Physical attendance is not necessary for the purpose of exercising Shareholders' rights.

### **RECOMMENDATION**

Your attention is drawn to the Letter from the Independent Board Committee set out on pages 18 to 19 of this circular which contains its recommendation to the Independent Shareholders in relation to the Master Sale and Purchase Agreement and the transactions thereunder (including the proposed annual caps).

Your attention is also drawn to the Letter from the Independent Financial Adviser set out on pages 20 to 36 of this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Master Sale and Purchase Agreement and the transactions thereunder (including the proposed annual caps).

The Directors (including the independent non-executive Directors whose views have been formed taking into account the advice of the Independent Financial Adviser) consider that the Master Sale and Purchase Agreement and the transactions thereunder (including the proposed annual caps) have been entered into on normal commercial terms and in ordinary and usual course of business of the Group, and the terms and conditions therein (including the proposed annual caps) are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM.

### **FURTHER INFORMATION**

Your attention is also drawn to the information set out in the appendix to this circular and the notice of the EGM.

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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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)**

25 March 2021

*To the Independent Shareholders*

Dear Sir or Madam,

#### **CONTINUING CONNECTED TRANSACTIONS – MASTER SALE AND PURCHASE AGREEMENT**

We refer to the circular dated 25 March 2021 (“**Circular**”) issued by Tycoon Group Holdings Limited (“**Company**”) to the Shareholders, of which this letter forms part. Terms used herein shall have the same meanings as defined in the Circular unless specified otherwise.

We have been appointed as the Independent Board Committee to consider and to advise the Independent Shareholders in respect of the Master Sale and Purchase Agreement and the transactions thereunder (including the proposed annual caps). Ballas Capital Limited has been appointed as the Independent Financial Adviser to provide advice and recommendation to the Independent Board Committee and the Independent Shareholders in this regard. Details of the independent advice of the Independent Financial Adviser, together with the principal factors and reasons the Independent Financial Adviser has taken into consideration, are set out on pages 20 to 36 of the Circular.

We wish to draw your attention to the Letter from the Board and the Letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders which contains its advice to us in respect of the Master Sale and Purchase Agreement and the transactions thereunder (including the proposed annual caps). Your attention is also drawn to the additional information set out in the appendix to the Circular.

Having considered the advice of the Independent Financial Adviser and the relevant information contained in the Letter from the Board, we consider that the terms of the Master Sale and Purchase Agreement and the transactions thereunder (including the proposed annual caps) are fair and reasonable and on normal commercial terms, the Master Sale and Purchase Agreement was entered into in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution for approving the Master Sale and Purchase Agreement and the transactions thereunder (including the proposed annual caps).

Yours faithfully,  
For and on behalf of  
*the Independent Board Committee of*  
**Tycoon Group Holdings Limited**

**Mr. Wong Yuk Woo Louis**  
*Independent Non-executive*  
*Director*

**Mr. Chung Siu Wah**  
*Independent Non-executive*  
*Director*

**Ms. Chan Ka Lai Vanessa**  
*Independent Non-executive*  
*Director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the text of the letter of advice from Ballas Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, for the purpose of inclusion into this circular.*

**BALLAS**  
C A P I T A L

Unit 1802, 18/F  
1 Duddell Street, Central  
Hong Kong

25 March 2021

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS – MASTER SALE AND PURCHASE AGREEMENT AND EXISTING PURCHASE TRANSACTIONS**

#### **INTRODUCTION**

We refer to our engagement as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Master Sale and Purchase Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular (the “**Circular**”) of the Company to the Shareholders dated 25 March 2021, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Group has been selling the Tycoon Products to the CR Pharma Group on an on-going basis under the Existing Master Supply Agreement which will expire on 31 December 2021. The Group has also made occasional purchases from the CR Pharma Group in a relatively insignificant amount. As the business relationship between the Group and the CR Pharma Group gets closer, in addition to the Group selling certain products to the CR Pharma Group, the Group also wishes to purchase certain products from the CR Pharma Group on an on-going basis. On 8 February 2021, despite the fact that the Existing Master Supply Agreement has not yet expired, the Company entered into the Master Sale and Purchase Agreement with CR Pharmaceutical, pursuant to which (i) the Group conditionally agrees to purchase and the CR Pharma Group conditionally agrees to sell the CR products; and (ii) the Group conditionally agrees to sell and the CR Pharma Group conditionally agrees to purchase the Tycoon Products from time to time during the period from 1 January 2021 to 31 December 2023.

As set out in the Letter from the Board, as at the Latest Practicable Date, CR Pharmaceutical is the holding company of CR Retail, a substantial shareholder of the Company. Accordingly, CR Pharmaceutical and each of its subsidiaries is considered as a connected person of the Company under the Listing Rules and the transactions contemplated

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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under the Master Sale and Purchase Agreement and the Existing Purchase Transactions constitute continuing connected transactions of the Company (the “**Continuing Connected Transactions**”) under Chapter 14A of the Listing Rules.

Since none of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) for the transactions under the Existing Purchase Transactions will exceed 5%, the continuing connected transactions under the Existing Purchase Transactions are subject to the reporting and announcement requirements but are exempt from the circular, independent financial advice and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio (as defined under Rule 14.07 of the Listing Rules) calculated based on the proposed largest annual cap for the Continuing Connected Transactions contemplated under the Master Sale and Purchase Agreement exceeds 5% and the proposed largest annual cap exceeds HK\$10 million, the Master Sale and Purchase Agreement is subject to the reporting, announcement, annual review and the Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Wong Yuk Woo Louis, Mr. Chung Siu Wah and Ms. Chan Ka Lai Vanessa, has been formed to advise the Independent Shareholders in respect of the terms and the proposed annual caps in relation to the Continuing Connected Transactions under the Master Sale and Purchase Agreement.

### INDEPENDENCE DECLARATION

We are not associated or connected with the Company, the counterparties of the Master Sale and Purchase Agreement or their respective core connected persons or associates. As at the Latest Practicable Date, save for this appointment as the independent financial adviser in relation to the Continuing Connected Transactions, we did not have any other relationship with or interests in the Company, the counterparties of each of the Master Sale and Purchase Agreement or their respective core connected persons or associates in the last two years. Accordingly, we consider we are eligible to give independent advice on the Continuing Connected Transactions.

### BASIS OF OUR OPINION

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company.

The Directors have declared in a responsibility statement set out in the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular and that there are no other matters the omission of which would make any statement in the Circular misleading. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the EGM. We have no reason to doubt the truth,

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, CR Pharmaceutical or any of their respective subsidiaries or associates.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, our sole responsibility is to ensure that such information has been correctly extracted from the relevant sources.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and advice in respect of the Master Sale and Purchase Agreement, we have considered the following principal factors and reasons:

#### **A. Background of and reasons for entering into the Master Sale and Purchase Agreement**

##### *Information on the Group*

The Group is principally engaged in the provision of proprietary Chinese medicine (PCM), health supplement, skin care, personal care and other healthcare products, predominately in Hong Kong.

##### *Information on the CR Pharma Group*

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 of 30 June 2020, the CR Pharma Group operated over 90 retail outlets under CR Care in Hong Kong as well as over 850 retail pharmacies under national or regional premium brands "CR Care (華潤堂)" and "Teck Soon Hong (德信行)" in the PRC.

##### *Reasons for entering into the Master Sale and Purchase Agreement*

As stated in the Letter from the Board, CR Care has been a customer of the Group since 2015 and has remained one of the major customers of the Group. Historically, save for the purchases made under the NC Products Distribution Agreements which were signed in January 2020, the Group only made insignificant amount of purchases from the CR Pharma Group. As the business relationship between



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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the Group and the CR Pharma Group gets closer, the Group also wishes to purchase certain products from the CR Pharma Group to, among others, further diversify its product offerings and to widen its base of suppliers.

As stated in the Letter from the Board, the NC Products Distribution Agreements shall be independent from the Master Sale and Purchase Agreement and the validity of the NC Products Distribution Agreements will not be affected. The NC Products Distribution Agreements are the master purchase agreements which regulate the purchase by the Group of specific products, i.e. certain Nature's Care Pro series of products under the brand name of Nature's Care manufactured by Nature's Care Manufacture Pty. Ltd from the specific subsidiary of the CR Pharma Group, i.e. Hong Kong CR Sanjiu. All other purchases from the CR Pharma Group by the Group will therefore be governed by the Master Sale and Purchase Agreement. For details of the NC Products Distribution Agreements, please refer to "Connected Transaction – Non-exempt Continuing Connected Transactions – (2) NC Products Distribution Agreements" of the Prospectus.

We understand from the management of the Company that the CR Pharma Group with its size, scale and reputation is in a better position to obtain the distribution rights and/or authorisations of more products and to bargain for a more competitive price and better credit term when sourcing the products. By entering into the Master Sale and Purchase Agreement, the Group can, on one hand access to the CR Pharma Group's network of retail outlets to sell the Tycoon Products to more consumers and on the other hand, broaden its existing base of suppliers and product offerings as well as enjoy more favourable pricing and payment terms to be offered by the CR Pharma Group as compared to the Group's direct sourcing from the independent suppliers. The Directors therefore believe that entering into the Master Sale and Purchase Agreement will benefit the Group by enabling the Group to have access to the CR Pharma Group's network of retail outlets through which the Group can bring the Tycoon Products to more consumers as well as to broaden the existing base of suppliers and the product offerings of the Group.

Given the above and our analysis and view on the major terms of the said agreement (as elaborated below), we are of the view that the entering into the Master Sale and Purchase Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Group and the Independent Shareholders as a whole.

### **B. Major terms of the Master Sale and Purchase Agreement**

The Master Sale and Purchase Agreement sets out the general terms and conditions governing the relevant Continuing Connected Transactions and at any time during the term of the Master Sale and Purchase Agreement, (i) the Group conditionally agrees to purchase and the CR Pharma Group conditionally agrees to sell the CR products; and (ii) the Group conditionally agrees to sell and the CR Pharma Group conditionally agrees to purchase the Tycoon Products. The Group and the CR Pharma Group will enter into specific purchase orders, subject to the terms and conditions in compliance with those of the Master Sale and Purchase Agreement as may be agreed between the relevant parties.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As stated in the Letter from the Board, in relation to the CR Products to be purchased by the Group from the CR Pharma Group, it is expected that approximately 90% of such products will be a third-party brand medical ointment (the “**Existing Product**”), which is a PCM product the Group has been sourcing from independent third parties since August 2020 and now plans to purchase from the CR Pharma Group going forward upon the Master Sale and Purchase Agreement becoming effective. The remaining 10% of such products will be other PCM, health supplement and other healthcare products. In relation to the Tycoon Products to be sold by the Group to the CR Pharma Group, these products will mainly be the various PCM, health supplement and other healthcare products sourced by the Group from various brand owners, distributors and traders. The CR Pharma Group will, depending on their actual business needs, decide on the types and quantity of such products to purchase from the Group.

As stated in the Letter from the Board, there is no overlapping of products in respect of the CR Products and the Tycoon Products. It is a term of the Master Sale and Purchase Agreement that the Group shall not re-sell the CR Products purchased to the CR Pharma Group and the CR Pharma Group shall not re-sell the Tycoon Products purchased to the Group. There is no minimum supply or purchase amount under the Master Sale and Purchase Agreement.

### *Pricing and payment terms*

Pursuant to the Master Sale and Purchase Agreement, the prices, payment terms, quantities and detailed terms with respect to the CR Products or, as the case may be, the Tycoon Products shall be determined in accordance with the specific purchase orders to be placed by and shall be on normal commercial terms negotiated and agreed upon on an arm’s length basis by the parties with reference to the prevailing market prices of the CR Products or, as the case may be, the Tycoon Products.

In determining the actual transaction prices and terms of the CR Products or, as the case may be, the Tycoon Products in respect of each specific purchase order, the Group will take into account the then prevailing market price of such products, the volume of such products in the specific purchase order and (where applicable) the terms between the Group and its independent suppliers or, as the case may be, customers (including, where applicable, the suggested retail price of such products from the suppliers or customers).

In assessing whether the actual transaction prices and terms of the CR Products are reasonable and no less favourable to the Group than those offered by other independent third party suppliers, the Group will take into account (i) whether the products can be sourced from other independent suppliers; and (ii) if so, a minimum of two quotations (including prices and payment term) in respect of such products in such volume from other independent suppliers. The procurement supervisor of the Group will review the purchase price and payment terms of each relevant purchase order with reference to the factors above. Based on the current procurement plan of the Group, all CR Products to be purchased by the Group are available from other independent suppliers. In the event that there are certain CR Products the Group would like to purchase in future which are not available from other independent suppliers in Hong

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Kong, the Group will take into account (i) the potential profit margin for selling such products; (ii) the prices of other similar products in the market; and (iii) the popularity of such products among the end customers in assessing whether the price of such products as determined by the CR Pharma Group is reasonable and whether to source such products for distribution.

In assessing whether the actual transaction prices and terms of the Tycoon Products offered to the CR Pharma Group are no less favourable than the fair market prices and terms for such Tycoon Products or similar products offered by the Group to other independent purchasers, the relevant personnel of the Group will keep track of the transaction record on the sale of the relevant Tycoon Products or similar products to other independent customers.

With respect to the sales of the Tycoon Products to the CR Pharma Group (the “**Revenue Transactions**”), we have discussed with the Company and understood that the Group has in place internal procedures to ensure the relevant Revenue Transactions as contemplated under the Master Sale and Purchase Agreement will be (i) conducted on normal commercial terms; (ii) negotiated on an arm’s length basis; and (iii) at prevailing market prices no less favourable to the relevant member(s) of the Group than those available to independent third parties. For the purpose of determining the prices of the Tycoon Products, the relevant sales department of the Group will compare the selling price offered to the CR Pharma Group and the independent third party customers in respect of a similar type of products with similar amount and similar specifications to ensure that the prices offered to the CR Pharma Group is no less favourable to the Group than those offered by the Group to independent third parties. We have obtained the three largest Revenue Transactions for each of the three years ended 31 December 2020 from the Company and reviewed the transaction documents of the selected samples relating to these historical Revenue Transactions and those with independent third parties of the Group for the comparable transactions. Based on our review, we note that (i) there was a market reference to determine the pricing terms of the Revenue Transactions being fair and reasonable to the Group and on normal commercial terms and (ii) the selling prices of the Tycoon Products were at prevailing market prices no less favourable to the relevant member(s) of the Group than those offered to independent third parties.

With respect to the purchases of the CR Products from the CR Pharma Group (the “**Expenditure Transactions**”), we have discussed with the Company and understood that the Group has in place internal procedures to ensure that the relevant Expenditure Transactions as contemplated under the Master Sale and Purchase Agreement will be (i) conducted on normal commercial terms; (ii) negotiated on an arm’s length basis; and (iii) at prevailing market prices no less favourable to the relevant member(s) of the Group than those offered by independent third parties. For the purpose of determining the prices of the CR Products, the relevant purchase department of the Group will compare the purchase price offered by the CR Pharma Group and the independent third party suppliers in respect of a similar type of products with similar amount and similar specifications to ensure that the prices offered by the CR Pharma Group is no less favourable to the Group than those offered by independent third parties. Regarding the purchases of the CR Products by the Group from the CR Pharma Group, we have

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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obtained the three largest Expenditure Transactions for each of the two years ended 31 December 2020 from the Company and reviewed the transaction documents of these selected samples relating to the historical Expenditure Transactions and those with independent third parties of the Group for the comparable transactions. Based on our review, we note that (i) there was a market reference to determine the pricing terms of the Expenditure Transactions being fair and reasonable to the Group and on normal commercial terms and (ii) the purchase prices of the CR Products were at prevailing market prices no less favourable to the relevant member(s) of the Group than those offered by independent third parties.

Based on the above, we concur with the view of Directors that the terms of the Master Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Group and the Independent Shareholders as a whole.

### C. The annual caps

#### (i) Annual caps for the sale of the Tycoon Products (the “Proposed Sale Caps”)

##### *Background on the Proposed Sale Caps and historical transaction amounts*

The following table sets out the (i) sales of the Tycoon Products by the Group to the CR Pharma Group for each of the three years ended 31 December 2020; and (ii) the Proposed Sale Caps for each of the three years ending 31 December 2023:

	For the year ended 31 December		
	2018	2019	2020
Historical transaction amounts	HK\$'000	HK\$'000	HK\$'000 (unaudited)
Sales of the Tycoon Products to the CR Pharma Group	31,664	46,644	27,052
Proposed Sale Caps	For the year ending 31 December		
	2021	2022	2023
	HK\$'000	HK\$'000	HK\$'000
Sales of the Tycoon Products to the CR Pharma Group	300,000	360,000	432,000

As stated in the Prospectus, the sale caps under the Existing Master Supply Agreement for the year ending 31 December 2021 is HK\$210 million.

As stated in the Letter from the Board, the Proposed Sale Caps have been determined based on the following factors:

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (i) the amount of historical sales – the historical sales amount for FY2018 and FY2019 were only made to CR Care. The sales made to the CR Pharma Group in FY2020 had decreased when compared with FY2019 principally due to the widespread of Covid-19 in Hong Kong and the PRC and the various draconian measures implemented by the Hong Kong and the PRC government such as travel restrictions which has resulted in a significant drop in the number of tourists coming to Hong Kong and thus the demand for the Group’s products. Disregarding the unexpected drop in sales to the CR Pharma Group in FY2020, the sales amount increased by 21.4% from FY2018 to FY2019;
- (ii) the strategic shareholding relationship between the Group and the CR Pharma Group – CR Pharmaceutical became a shareholder of the Company in 2019 and after Listing, has remained as a substantial shareholder of the Company. CR Pharmaceutical is one of the largest pharmaceutical distributors in the PRC, operating over 850 retail pharmacies in the PRC and one of the leading health chain retailers in Hong Kong (operates through CR Care) that has over 90 retail outlets, it is expected that with constant improvement in product offerings by the Group and the close relationship between the Group and the CR Pharma Group, there will be increasing demand from members of the CR Pharma Group for the Tycoon Products; and
- (iii) the future development plan of the Group and the CR Pharma Group – the Group is committed to expanding its distribution business in the PRC, especially to the GBA which the Group believes the increasing purchasing power of the people in the PRC, together with the improving living standard and increasing health awareness especially in the post-pandemic era will drive up the demand for healthcare products in the PRC. Moreover, with the Work Plan for Regulatory Innovation and Development of Pharmaceutical and Medical Device in the Guangdong-Hong Kong-Macao Greater Bay Area promulgated by the central government of the PRC in late November 2020 (the “**Work Plan**”), which specifically allows, among others, designated healthcare institutions operating in the nine cities of the GBA to use Hong Kong-registered drugs with urgent clinical use upon approval and simplification of the registration process for importing proprietary Chinese medicines for external use registered in Hong Kong, the Group expects that there will be more sales of the Tycoon Products to the CR Pharma Group for distribution in the GBA. In addition, a joint venture of the Group and the CR Pharma Group, Runman, which is also a subsidiary of CR Pharmaceutical, is in the process of obtaining a food business permit and a pharmaceutical trade licence. It is expected that upon Runman obtaining such permit and licence, more sales will be made to the CR Pharma Group for further distribution in the PRC, through Runman.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the fairness and reasonableness of the Proposed Sale Caps, we have discussed with the management of the Company to understand the principal basis and assumptions in the determination of the relevant caps, and reviewed the calculations of the caps provided by the Company.

### *Sales to CR Care*

The expected sales of the Tycoon Products to CR Care accounts for approximately 21.7% of the Proposed Sales Caps under the Master Sale and Purchase Agreement for each of FY2021, FY2022 and FY2023.

In respect of the estimated sales to CR Care for FY2021 under the Proposed Sales Caps, we understand from the management of the Company that they have considered the historical sales to CR Care for FY2019 of approximately HK\$46.6 million and the average growth rate of sales to CR Care for from FY2017 to FY2019 of approximately 39.3%. The Directors did not take into account the sales to CR Care for FY2020 as such sales amount had been adversely affected by the outbreak of COVID-19 in Hong Kong and the PRC. The Directors consider that with the gradual improvement of the COVID-19 pandemic, the underlying demand for the Tycoon Products and the corresponding sales to CR Care will return to normal level and start to grow, especially in the post-pandemic era as people become more health-conscious.

### *Sales to Runman*

The expected sales of the Tycoon Products to Runman accounts for approximately 48.3% of the Proposed Sales Caps under the Master Sale and Purchase Agreement for each of FY2021, FY2022 and FY2023.

As stated in the Prospectus, in order to expand the distribution business of the Group to the PRC, the Group entered into agreement with CR Pharmaceutical in March 2020 to establish Runman to supply the Tycoon Products to the PRC market on an offline basis. After obtaining the food business permit and pharmaceutical trade licence which is expected to take place in the first quarter of 2021, Runman will commence buying the Tycoon Products and distributing the Tycoon Products in the PRC via the strong sales network of CR Pharmaceutical in the PRC. We understand from the management of the Company that, for the first year of operation, the Company plans to sell PCM, prescription only medicines and healthcare products which have already been registered in the PRC and are allowed to be sold through offline channel in the PRC. The Directors also currently expect that Runman will leverage on the established nationwide sales network of CR Pharmaceutical, with over 5,000 dedicated salespersons covering all provinces, municipalities and prefecture-level administrative divisions across the PRC, to distribute the Tycoon Products to major cities in Guangdong Province, Guangxi Province, Hainan Province and Fujian Province through major distribution channels such as chain retail stores (including supermarkets, convenience stores and personal care chains), non-chain retail stores (including registered pharmacies and drug stores) and district hospitals. The Directors

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currently expect that the sales amount of the Tycoon Products to Runman to be approximately HK\$35 million for the first half of FY2021 and approximately HK\$110 million for the second half of FY2021, totaling approximately HK\$145 million for FY2021. The management of the Company expected that the sales to Runman would be approximately 3.1 times of the historical sales to CR Care for FY2019 given that CR Care is solely for Hong Kong market on an offline basis while Runman will utilise the distribution network of CR Pharmaceutical in the PRC market. We note that the distribution network of CR Pharmaceutical in the PRC, which consists of more than 100,000 downstream customers (including hospitals, pharmacies and other pharmaceutical distributors) and over 850 self-owned retail pharmacies, is significantly larger than that of CR Care which operated 96 retail outlets in Hong Kong as at 31 December 2019.

### *Additional demand from designated healthcare institutions as a result of the Work Plan*

The expected sales of the Tycoon Products in relation to the demand from designated healthcare institutions for the Work Plan accounts for approximately 30% of the Proposed Sales Caps under the Master Sale and Purchase Agreement for each of FY2021, FY2022 and FY2023.

As stated in the Letter from the Board, the Work Plan was promulgated by the central government of the PRC in late November 2020 which formulates the regulatory development plan of the supervision of drugs and medical devices in the GBA. We noted that the Work Plan (i) allows designated healthcare institutions which operate in the nine cities of the GBA to use Hong Kong-registered drugs that are in urgent clinical need, subject to the approval of Guangdong Province; and (ii) simplifies the registration process in the GBA for importing proprietary Chinese medicines for external use registered in Hong Kong. According to a press release of the Hong Kong government in December 2020, the Hong Kong government had already kick-started preparatory work with the relevant PRC authorities, including establishment of a collaborative platform and commencement of discussions with relevant authorities to draw up the directory of drugs and medical devices to be used in designated healthcare institutions in the GBA in accordance with the Work Plan. The Directors expect that the Work Plan will be fully implemented within 2021.

Based on the discussion with the management of the Company and as stated in the interim report of CR Pharmaceutical for the six months ended 30 June 2020, the CR Pharma Group has a pharmaceutical import platform at the GBA and cooperates with world-renowned pharmaceutical enterprises which provides many hospitals across the country with integrated solutions for high-precision virus testing. At present, several innovative drugs are solely imported and distributed by the CR Pharma Group. The Directors currently expect that the accumulated sales amount of the Tycoon Products to the CR Pharma Group for satisfying the additional demand from designated healthcare institutions for the Work Plan to be approximately HK\$90 million for FY2021. As a result of the Work Plan, the Group had received quotation requests from the CR Pharma Group

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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for certain Tycoon Products which are currently not registered drugs in the PRC but may be allowed to be imported from Hong Kong to the PRC under simplified procedures as set out in the Work Plan. We noted that the Group has obtained a quotation invitation from the CR Pharma Group for a hospital in the GBA which is one of the customers of the CR Pharma Group and noted that the potential sales amount under such quotation was approximately HK\$17.0 million for FY2021. To the best knowledge of the Directors, there are around 350 hospitals in the GBA which are the customers of the CR Pharma Group. The Directors expect that the CR Pharma Group will source the Tycoon Products for at least 5 of these hospitals upon the implementation of the Work Plan.

The Proposed Sale Cap for each of FY2022 and FY2023 is estimated to increase by 20%, respectively, as compared to the Proposed Sale Cap of the immediately preceding year. We have discussed with the Company and understood that the aforesaid growth rates were determined after taking into account the inflation, organic business growth and market growth of the PRC medical industry. In assessing the fairness and reasonableness of the aforesaid growth rates, we have conducted a desktop research on the market outlook of the PRC medical industry as detailed below.

### *Market outlook of the PRC medical industry*

According to a press release from the National Bureau of Statistics of the PRC in January 2021, the gross domestic product (“GDP”) of the PRC decreased by 6.8% in the first quarter of 2020 as a result of the outbreak of COVID-19. According to “From Recovery to Rebalancing: China’s Economy in 2021”, a report published by the World Bank Group in December 2020, following a sharp decline in the first quarter of 2020, the economic activity in China has recovered faster than expected, aided by an effective pandemic-control strategy and strong policy support, and the rollback of lockdown measures combined with a sizable fiscal and monetary policy support led to a quick rebound of economic activity, the PRC’s real GDP rebounded to 3.2% in the second quarter of 2020 and further grew to 4.9% in the third quarter of 2020. According to a press release from the National Bureau of Statistics of the PRC in January 2021, the PRC’s GDP is expected to increase by 6.5% in the fourth quarter of 2020 and the PRC’s annual GDP in 2020 is expected to achieve an increase by 2.3% as compared to that in 2019. International Monetary Fund predicts that the GDP of PRC will grow by 7.9% in 2021, as consumer spending and business investment continue to catch up, along with improving corporate profits and labour market conditions.

According to the National Bureau of Statistics of the PRC, the total expenditure on health of the PRC grew from approximately RMB4,097.5 billion in 2015 to approximately RMB6,584.1 billion in 2019, representing a CAGR of approximately 12.6% during that period. The total expenditure on health of the PRC also grew from 5.95% of nominal GDP in 2015 to approximately 6.64% of nominal GDP in 2019. According to “Global Spending on Health: weathering the storm”, a report published by the World Health Organization in December 2020, the global spending on health was approximately US\$8.3 trillion in 2018,



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representing approximately 10% of global GDP. The total expenditure on health as percentage of GDP in the PRC is therefore still low as compared to other nations which indicates room for potential growth.

Growing population is another factor which may lead to an increase in demand for PCM, health supplement and healthcare products. According to the National Bureau of Statistics of the PRC, the population of the PRC increased from approximately 1.37 billion in 2014 to approximately 1.40 billion in 2019, representing a CAGR of approximately 0.4% during that period. In addition, with the abolishment of the one-child policy and the encouragement of childbearing in the PRC, the demand for PCM, health supplement and healthcare products are likely to continue to grow in the future.

In addition, as stated in the interim report of the Company for the six months ended 30 June 2020 (the “**Interim Report**”), the State Council issued the “National Nutrition Plan (2017-2030)” in July 2017, aiming to achieve the goals of raising awareness of nutrition and reducing anemia among the Chinese people by 2030. Such plan initiated by the PRC government will be the primary driving force for the development of the PCM and health supplement products distribution industry in the PRC. Upon realising the importance of nutrient intakes, more health supplements will be sought after by the Chinese consumers. Furthermore, the “Healthy China 2030 Planning Outline” issued in October 2016 also encourages experts to set up health centres and provide health consultations to the public, which may also help the promotion of PCM products in the PRC.

Taking into account the growing population in the PRC, increasing demand for reputable PCM and health supplement products and the favorable policies stated above, we consider that the annual growth rates in the Proposed Sale Caps are reasonable.

### *Our view*

Based on the various factors described above and our review of the underlying calculations from the Company, we concur with the view of the Directors that the Proposed Sales Caps under the Master Sale and Purchase Agreement are fair and reasonable so far as the Group and the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole.

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*(ii) Annual caps for the purchase of the CR Products (the “Proposed Purchase Caps”)*

*Background on the Proposed Purchase Caps and historical transaction amounts*

The following table sets out the (i) purchases of the CR Products by the Group from the CR Pharma Group for each of the three years ended 31 December 2020; and (ii) Proposed Purchase Caps for each of the three years ending 31 December 2023:

	<b>For the year ended 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
<b>Historical transaction amounts</b>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
			(unaudited)
Purchases of the CR Products from the CR Pharma Group	Nil	5,505	2,911
	<b>For the year ending 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
<b>Proposed Purchase Caps</b>	<i>HK\$’000</i>	<i>HK\$’000</i>	<i>HK\$’000</i>
Purchases of the CR Products from the CR Pharma Group	300,000	360,000	432,000

As stated in the Letter from the Board, the Proposed Purchase Caps have been determined with reference to the procurement and sales plans of the Group.

As stated in the Prospectus, the Group had purchased a PCM product under a third-party brand from CR Care in FY2019, at a time when there was an unanticipated high demand for such a product in the market. The purchase in FY2019 was mainly one-off in nature.

Apart from the one-off purchase as mentioned above, the Group also purchase small portion of the CR Products from CR Care in FY2019 and FY2020 which were third-party brand products for sales through the Group’s online stores on the e-commerce portals.

In assessing the fairness and reasonableness of the Proposed Purchase Caps, we have discussed with the management of the Company to understand the principal basis and assumptions in the determination of the relevant caps, and reviewed the calculations of the caps provided by the Company. Based on the discussion and the review of the underlying calculation, we understand that around 90% of the Proposed Purchase Caps for each of FY2021, FY2022 and FY2023 represents the expected purchase amount for one third-party brand product which the Group has been sourcing from independent third parties since August 2020 and now plans to purchase from the CR Pharma Group going forward upon the Master Sale and Purchase Agreement becoming effective.

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The Group has been on-selling the Existing Product via e-commerce portals which mainly target the PRC consumers. The purchase amount of the Existing Product by the Group was approximately HK\$55.4 million for FY2020. As advised by the management of the Company, the Group plans to purchase the Existing Product from the CR Pharma Group instead of independent third parties mainly because the CR Pharma Group (i) can grant the Group more favourable pricing and payment terms given its ability to enjoy these terms offered by independent third parties due to its stronger bargaining power in view of its size, scale and reputation; (ii) can grant the Group a longer credit period given its strategic relationship with the Group; and (iii) may allow the Group to purchase in a smaller volume instead of bulk purchase which enables the Group to keep lower inventory level and maintain healthier cash flow.

The expected amount of purchase of the Existing Product from the CR Pharma Group was determined taking into account the historical purchases of the Existing Product from independent third parties and the expected rapid growth in sales in e-commerce portals.

As stated in the Interim Report, although offline sales of the Group recorded a decrease due to COVID-19, e-commerce sales of the Group recorded an increase by approximately 18 times from approximately HK\$3.3 million for the six months ended 30 June 2019 to approximately HK\$63.9 million for the six months ended 30 June 2020. With the combined effect of reducing infection risk by staying home and the travel restrictions in the PRC, consumers turned to e-commerce portals which help the growth of the Group's e-commerce business. The Group's e-commerce revenue mainly derives from the PRC, possibly because the PRC consumers turned to e-commerce portals to purchase reputable anti-pandemic and healthcare products as visiting to Hong Kong through Individual Visit Scheme was restricted during the period.

As advised by the management of the Company, the Existing Product, which is a traditional Chinese medicine manufactured under pharmaceutical manufacturing criteria with Good Manufacturing Practice (GMP) standard, is one of the reputable branded PCM in Hong Kong with an established history for over 50 years. Since the commencement of sales of the Existing Product in the e-commerce portals in August 2020, it has quickly become one of the most popular products the Group in the e-commerce portals. The Directors expect the demand of the Existing Product in PRC is likely to continue to grow along with the rising health consciousness, especially in the post-pandemic era.

Furthermore, as stated in the Interim Report, the Group will seize the opportunity and allocate more resources to the development of the Group's e-commerce business, including but not limited to continue to set up more e-commerce stores and cooperate with more reputable brands for the distribution of their best-selling products. As the PRC will be the Group's main focus for the development of e-commerce market given the enormous business opportunity therein, the future development plan of the Group will be to continue to wholesale PCM products to the Group's e-commerce customers as well as to set up more

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online stores operated by the Group on the popular e-commerce portals in the PRC which mainly target on the PRC consumers. As advised by the management of the Company, the Existing Product will be one of the brands the Group will focus to sell through e-commerce portals to the PRC consumers.

The remaining 10% of the Proposed Purchase Cap for each of FY2021, FY2022 and FY2023 represents the Group's potential purchase of products other than the Existing Product from the CR Pharma Group.

The Proposed Purchase Cap for each of FY2022 and FY2023 is estimated to increase by 20% as compared to the preceding year. We have discussed with the Company and understood that the aforesaid growth rates were determined after taking into account inflation, organic business growth, market growth of the PRC medical industry and the market growth of the e-commerce industry in the PRC. In assessing the fairness and reasonableness of the aforesaid growth rates, apart from the desktop research on the market outlook of the PRC medical industry under the section headed "C. The annual caps – (i) Annual caps for the sale of the Tycoon Products" above, we have also conducted a desktop research on the market outlook of the e-commerce industry in the PRC as detailed below.

### *Market outlook of the e-commerce industry in the PRC*

According to the National Bureau of Statistics of the PRC, the total online retail sales of physical goods in the PRC grew from approximately RMB4,194.4 billion in 2016 to approximately RMB9,759.0 billion in 2020, representing a CAGR of approximately 23.5% during that period. According to a press release published by the United Nations Conference on Trade and Development in April 2020, the value of global business-to-consumer e-commerce was US\$4.4 trillion in 2018, representing an increase of 7% over 2017. China was the top country by business-to-consumer sales and had the largest number of online shoppers at 610 million in 2018. Consumption is expected to continue shifting from offline to online and online shopping penetration rate is expected to increase, which is underpinned by a shift of consumption habits, more developed logistics infrastructure for delivery, a better regulated online transaction environment and continuous marketing efforts of e-commerce companies. Taking into account the above, we consider that the annual growth rates in the Proposed Purchase Caps are reasonable.

### *Our view*

Based on the aforesaid, we concur with the view of the Directors that the Proposed Purchase Caps under the Master Sale and Purchase Agreement are fair and reasonable so far as the Group and the Independent Shareholders are concerned and in the interests of the Group and the Independent Shareholders as a whole.

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### **D. Requirements by the Listing Rules regarding the Continuing Connected Transactions**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the Master Sale and Purchase Agreement are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that they have been entered into:
  - in the ordinary and usual course of business of the Group;
  - on normal commercial terms or better; and
  - according to the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Group and the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the Continuing Connected Transactions:
  - have not been approved by the Board;
  - were not, in all material respects, in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve the provision of goods or services by the Group;
  - were not entered into, in all material respects, in accordance with the terms of the relevant agreement(s) governing the Continuing Connected Transactions; and
  - have exceeded the annual caps.
- (c) the Company must allow, and ensure that the relevant counter parties to the Continuing Connected Transactions allow, the Company's auditors sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions.
- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above, respectively. The Stock Exchange may require the Company to re-comply with the announcement and Shareholders' approval requirements and may impose additional conditions.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In light of the review and reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of transaction value by way of the annual caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the Continuing Connected Transactions and the annual caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Company and the Independent Shareholders as a whole.

### RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the Master Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Independent Shareholders as a whole, and the terms thereof as well as the respective annual caps are fair and reasonable so far as the Group and the Independent Shareholders are concerned and are in the interests of the Group and the Independent Shareholders as a whole.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the terms of and the annual caps in relation to the transactions under the Master Sale and Purchase Agreement.

Yours faithfully,  
For and on behalf of  
**Ballas Capital Limited**  
**Heidi Cheng**      **Cathy Leung**  
*Managing Director*      *Director*

*Note:* Ms. Heidi Cheng has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2003, and Ms. Cathy Leung has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2019.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares or Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations within the meaning of Part XV of the SFO, which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules (“**Model Code**”), were as follows:

#### (i) Interests in the Shares or underlying Shares of the Company

Name of director	Capacity/ Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding
Wong Ka Chun	Interest in controlled	448,096,326(L)	56.01%
Michael <sup>(2), (3)</sup>	corporation	200,000,000(S)	25.00%

*Notes:*

- (1) The letter “L” denotes the Director’s long position in such Shares and the letter “S” denotes the Director’s short position in such Shares.
- (2) The 448,096,326 Shares and the short position in the 200,000,000 Shares are registered in the name of Tycoon Empire Investment Limited (“**Tycoon Empire**”), a company wholly owned by Mr. Wong Ka Chun Michael. By virtue of the provisions of Part XV of the SFO, Mr. Wong Ka Chun Michael is deemed to be interested in all the Shares held by Tycoon Empire.
- (3) The 200,000,000 Shares are charged by Tycoon Empire in favour of CR Retail as security for the performance by Tycoon Empire and Mr. Wong Ka Chun Michael of their obligations under the shareholders agreement dated 19 February 2019 entered into among Tycoon Empire, Mr. Wong Ka Chun Michael, CR Retail and the Company (“**Pre-IPO Shareholders Agreement**”). For details, please refer to the Prospectus.

## (ii) Interests in shares of the associated corporation of the Company

Name of director	Name of associated corporation	Capacity/ Nature of Interest	Number of Shares <sup>(1)</sup>	Approximate percentage of shareholding
Wong Ka Chun Michael <sup>(2)</sup>	Tycoon Empire	Beneficial owner	1(L)	100%

*Notes:*

- (1) The letter "L" denotes the Director's long position in such share.
- (2) Mr. Wong Ka Chun Michael directly owns 100% of the issued share capital of Tycoon Empire.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which were required: (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO), (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein, or (c) pursuant to the Model Code to be notified to the Company and the Stock Exchange.

Save that each of Mr. Yao Qingqi and Ms. Chong Yah Lien, each a non-executive Director, is a director of CR Retail, as at the Latest Practicable Date, none of the Directors was a director or employee of a company which had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

**3. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors had entered into any existing or proposed service contract with the Company, or any of its subsidiaries or associated companies which was not determinable by the employer within one year without payment of compensation (other than statutory compensation).

**4. DIRECTORS' COMPETING INTERESTS**

To the best knowledge of the Directors, as at the Latest Practicable Date, none of the Directors or their respective associates had any interests in a business, which competes or is likely to compete either directly or indirectly with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules, if the Directors were controlling Shareholders.



**5. DIRECTORS' INTEREST IN ASSETS, CONTRACTS OR ARRANGEMENTS**

As at the Latest Practicable Date, there was no contract or arrangement subsisting in which any Director was materially interested and which was significant in relation to any business of the Group. As at the Latest Practicable Date, none of the Directors had any interest, either direct or indirect, in any assets which have been acquired or disposed of by or leased to or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Company were made up.

**6. NO MATERIAL ADVERSE CHANGE**

References are made to the interim report of the Company dated 28 August 2020 and the profit warning announcement of the Company dated 15 March 2021. Since the occurrence of the COVID-19 pandemic in early 2020, the Hong Kong and the PRC Government has respectively adopted various stringent measures with an aim to curb the spread of COVID-19, together with the downward economy, the Company has experienced a significant decrease in revenue and recorded a loss after tax for the six months ended 30 June 2020 and the year ended 31 December 2020 as compared to the six months ended 30 June 2019 and the year ended 31 December 2019. As at the Latest Practicable Date, the duration and extent of the COVID-19 around the world still remain uncertain. The Company has been strictly controlling the operating expenses and will continue to expand and develop e-commerce distribution business. The Company will continue to assess the risks and uncertainties related to the COVID-19 and strive to mitigate the adverse impact of the COVID-19.

Save as disclosed above, the Directors confirm that as at the Latest Practicable Date, they are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up.

**7. QUALIFICATION AND CONSENT OF EXPERT**

The following sets out the qualification of the expert who has given opinions or advice which is contained or mentioned in this circular:

<b>Name</b>	<b>Qualification</b>
Ballas Capital Limited	a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under SFO

The letter from the Independent Financial Adviser is given as of the date of this circular for incorporation herein.

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and/or reference to its name or opinion in the form and context in which it appears.

The Independent Financial Adviser has confirmed that as at the Latest Practicable Date,

- (a) it was not beneficially interested in the share capital of any member of the Group nor did it have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group; and
- (b) it did not directly or indirectly, have any interest in any assets which had since 31 December 2019 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 8. GENERAL

- (a) The registered office of the Company is situated at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.
- (b) The Company's head office and principal place of business in Hong Kong is situated at Room 14, 8/F, Wah Wai Centre, 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong.
- (c) The company secretary of the Company is Mr. Cheung Yuk Chuen, an associate of the Hong Kong Institute of Certified Public Accounts.
- (d) The Company's branch share registrar and transfer office in Hong Kong is Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.
- (e) The English text of this circular shall prevail over the Chinese text in the event of conflict or inconsistency between the two.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be made available for inspection during normal business hours from 9:00 a.m. to 6:00 p.m. (save for Saturdays, Sundays and public holidays) at the office of the Company in Hong Kong at Room 14, 8/F, Wah Wai Centre, 38-40 Au Pui Wan Street, Shatin, New Territories, Hong Kong from the date of this circular, up to and including the date of the EGM:

- (a) the Master Sale and Purchase Agreement;
- (b) the Existing Master Supply Agreement;
- (c) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (d) the letter from the Independent Financial Adviser, the text of which is set out in this circular; and
- (e) the written consent referred to in the paragraph headed "Qualification and Consent of Expert" of this appendix.

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## NOTICE OF EGM

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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)**

#### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (“EGM”) of Tycoon Group Holdings Limited (“**Company**”) will be held at Commons Workshop, 28/F, Sunshine Plaza, 353 Lockhart Road, Wan Chai, Hong Kong on Friday, 16 April 2021 at 10 a.m., to consider and, if thought fit, pass the following resolution as an ordinary resolution:

#### **ORDINARY RESOLUTION**

**“THAT:**

- (A) the (i) transactions as contemplated under the Master Sale and Purchase Agreement (as defined in the circular of the Company dated 25 March 2021 (“**Circular**”), a copy of which is marked “A” and initialled by the chairman of the meeting for identification purpose and has been tabled at the meeting) dated 8 February 2021 entered into between the Company and China Resources Pharmaceutical Group Limited and the implementation thereof; and (ii) the proposed annual caps for such transactions for the year ending 31 December 2021, the year ending 31 December 2022 and the year ending 31 December 2023 as set out in the Circular be and are hereby approved, confirmed and ratified; and
- (B) the directors of the Company or a committee there of be and are/is hereby authorised to do all such acts and things, to sign and execute such documents or agreements or deeds on behalf of the Company and to do such other things and to take all such actions as they consider necessary, appropriate, desirable or expedient for the purposes of giving effect to or in connection with the Master Sale and Purchase Agreement and to agree to such variation, amendments or waivers or matters relating thereto (including any variation, amendments or waiver of such documents or any terms thereof, which are not fundamentally

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## NOTICE OF EGM

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different from those as provided in the Master Sale and Purchase Agreement) as are/is, in the opinion of the directors of the Company or a committee there of, in the interests of the Company and its shareholders as a whole.”

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

Hong Kong, 25 March 2021

*Registered Office:*

Cricket Square  
Hutchins Drive  
P.O. Box 2681  
Grand Cayman KY1-1111  
Cayman Islands

*Head office and principal place of  
business in Hong Kong:*

Room 14, 8/F  
Wah Wai Centre  
38-40 Au Pui Wan Street  
Shatin, New Territories  
Hong Kong

*As at the date of this notice, the Board comprises one executive Director, namely Mr. Wong Ka Chun Michael; 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.*

*Notes:*

1. Any member of the Company entitled to attend and vote at the EGM is entitled to appoint another person as his/her proxy to attend and vote instead of him/her. Any member of the Company who is the holder of two or more Shares may appoint more than one proxy to represent him/her and vote on his/her behalf. A proxy need not be a member of the Company. If more than one proxy is so appointed, the appointment shall specify the number and class of shares of the Company in respect of which each such proxy is so appointed.
2. A form of proxy is enclosed with this circular. To be valid, the form of proxy, together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy thereof, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong by 10 a.m. on Wednesday, 14 April 2021 or not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude a member from attending and voting in person at the EGM.
3. Where there are joint holders of any share, any one of such joint holder may vote, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders be present at the EGM the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

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4. Pursuant to Rule 13.39(4) of the Listing Rules, any votes of shareholders at a general meeting must be taken by poll (except for those relating purely to a procedural or administrative matter which may be voted on by a show of hands). Therefore, the ordinary resolution to be proposed at the EGM shall be voted by poll.
5. For determining the entitlement to attend and vote at the EGM, the register of members of the Company will be closed from Tuesday, 13 April 2021 to Friday, 16 April 2021, both days inclusive, during which period no transfers of shares will be effected. In order to be entitled to attend the EGM, all completed transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Monday, 12 April 2021.