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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**

#### **MASTER SALE AND PURCHASE AGREEMENT**

On 15 December 2023, the Company entered into the Master Sale and Purchase Agreement with CR Care, pursuant to which (i) the Company, for itself and on behalf of its subsidiaries, conditionally agrees to purchase and CR Care conditionally agrees to sell the CR Products, and (ii) the Company, for itself and on behalf of its subsidiaries, conditionally agrees to sell and CR Care conditionally agrees to purchase the Tycoon Products.

As CR Care is an associate of CR Retail, a substantial shareholder of the Company, CR Care is considered as a connected person of the Company for the purpose of Chapter 14A of the Listing Rules. The transactions contemplated under the Master Sale and Purchase Agreement thus constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

#### **LISTING RULES IMPLICATIONS**

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 0.1% but is less than 5%, the continuing connected transactions thereunder are subject to the reporting, announcement and annual review requirements but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **BACKGROUND**

On 15 December 2023, the Company and CR Care entered into the Master Sale and Purchase Agreement, pursuant to which (i) the Company, for itself and on behalf of its subsidiaries, conditionally agrees to purchase and CR Care conditionally agrees to sell the CR Products, and (ii) the Company, for itself and on behalf of its subsidiaries, conditionally agrees to sell and CR Care conditionally agrees to purchase the Tycoon Products.

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

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

## **THE MASTER SALE AND PURCHASE AGREEMENT**

### **Date**

15 December 2023

### **Parties**

1. the Company; and
2. CR Care. The relationship between CR Care and the Company is set out in “Listing Rules Implication” in this announcement below. In short, CR Care is an associate of CR Retail, a substantial shareholder of the Company.

### **Duration**

The Master Sale and Purchase Agreement is for a term commencing on 1 January 2024 and ending on 31 December 2026.

### **Condition precedent**

The Master Sale and Purchase Agreement is conditional upon the compliance with the applicable Listing Rules by each of the Company and CR Care or its holding company (if applicable).

### **Nature of transactions**

Pursuant to the Master Sale and Purchase Agreement, (i) the Company, for itself and on behalf of its subsidiaries, conditionally agrees to purchase and CR Care conditionally agrees to sell the CR Products, and (ii) the Company, for itself and on behalf of its subsidiaries, conditionally agrees to sell and CR Care conditionally agrees to purchase the Tycoon Products.

There is no minimum supply or purchase amount under the Master Sale and Purchase Agreement.

Selection of the products to be purchased by either party shall be at the discretion of such party.

For the avoidance of doubt, the Group will not re-sell the CR Products purchased to CR Care and CR Care will not re-sell the Tycoon Products purchased to the Group.

### **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 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 agreed between the parties and shall be on normal commercial terms negotiated 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 Company or, as the case may be, no more favourable to CR Care 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, CR Care or, as the case may be, the Group will take into account the then prevailing market price of the such products, the volume of such products in the purchase order and (where applicable) the terms of supply between CR Care 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, the 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.

In assessing whether the actual transaction prices and terms of the Tycoon Products offered to CR Care 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 CR Care during the two years ended 31 December 2022 and the 11 months ended 30 November 2023 (“**11M2023**”) and the proposed

annual caps for the sale of Tycoon Products for each of the three years ending 31 December 2026 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 2026</b>		
<b>FY2021</b>	<b>FY2022</b>	<b>11M2023</b> (unaudited)	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
18,385	6,045	29,180	38,000	40,500	43,000

Set out below is a summary of the historical total purchases by the existing members of the Group from CR Care during the two years ended 31 December 2022 and the 11 months ended 30 November 2023 and the proposed annual caps for the purchases of CR Products for each of the three years ending 31 December 2026 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 2026</b>		
<b>FY2021</b>	<b>FY2022</b>	<b>11M2023</b> (unaudited)	<b>FY2024</b>	<b>FY2025</b>	<b>FY2026</b>
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Nil ( <i>Note</i> )	Nil ( <i>Note</i> )	Nil ( <i>Note</i> )	3,500	4,000	5,000

*Note: During FY2021, FY2022 and 11M2023, the Group only made purchases from CR Care through its then subsidiary, namely, Tycoon Asia Pacific Group Limited (“TAPG HK”), the controlling stake of which was disposed by the Group on 30 September 2023. TAPG HK has ceased to be a subsidiary of the Company upon such disposal. The existing members of the Group did not make any purchases from CR Care during FY2021, FY2022 and 11M2023.*

The proposed annual caps for the sale of the Tycoon Products for each of the three years ending 31 December 2026 are estimated by the Company based on the following major factors:

- the amount of historical sales* – The sales made to CR Care in FY2022 had decreased when compared with FY2021 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 CR Care in FY2022, the sales amount increased by 383% from FY2022 to 11M2023; and
- the strategic relationship between the Group and CR Care* – CR Care is a healthcare retail chain specializing in provision of health-related products and services with more than 40 stores in Hong Kong currently. It is expected that with constant improvement in product offerings by the Group and the close relationship between the Group and CR Care, there will be increasing demand from CR Care for the Tycoon Products.

During FY2021, FY2022 and 11M2023, the Group only made purchases from CR Care through the then subsidiary TAPG HK, the controlling stake of which was disposed of on 30 September 2023. TAPG HK has ceased to be a subsidiary of the Company upon such disposal. The proposed annual caps for the purchase of the CR Products for each of the three years ending 31 December 2026 are estimated with reference to the procurement and sales plans of the Group in particular, with respect to proprietary Chinese medicines which are distributed by CR Care solely.

## **PRODUCT DETAILS AND PRICING POLICIES**

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

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

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

### **(a) Tycoon Products**

The Tycoon Products that will be sold to CR Care under the Master Sale and Purchase Agreement are certain proprietary Chinese medicine, health supplement and other healthcare products sold by the Group.

To ensure if each transaction will be conducted under normal commercial terms or better and fairly and reasonably and the terms and pricing policies will be strictly followed, upon receipt of the Quotation Request, the relevant personnel of the Group will keep track of the transaction record on the sale of the relevant Tycoon Products or similar products to other independent customers on a half-yearly basis as a comparable to assess the reasonableness and fairness of the pricing of Tycoon Products.

The price of the Tycoon Products to be sold to CR Care will be determined by making reference to the prevailing selling price of Tycoon Products sold to independent third party. Therefore, the Board is of the view that the terms are on normal commercial terms and fair and reasonable.

## **(b) CR Products**

CR Products to be purchased by the Group under the Master Sale and Purchase Agreement are mainly products manufactured/distributed by CR Care.

To ensure that each purchase transaction of the CR Products under the Master Sale and Purchase Agreement will be conducted under normal commercial terms or better and fairly and reasonably, by following the usual procedures adopted by the Group in dealing with independent third party suppliers, in assessing the fairness and reasonableness of the purchase price, 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 CR Care is reasonable and whether to source such products from CR Care for distribution.

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

## **INTERNAL CONTROL POLICIES**

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

1. the Procurement Team of the Group will first review the qualification of relevant suppliers, including but not limited to the particulars of the brands supplied;
2. the Sales Department of the Group will then prepare monthly sales forecast, estimated gross profit and costs and expenses in relation to the products;
3. the Head of the Procurement Team of the Group will review the purchase price and payment terms of each relevant purchase order; and
4. the Finance Department of the Group will review the six-month sales forecast and profit forecast of the products to ensure the transactions under the Master Sale and Purchase Agreement will be conducted under normal commercial terms or better and fairly and reasonably and in the interests of the Company as a whole.

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

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

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

## **REASONS FOR AND BENEFITS 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, CR Care, a subsidiary of CR Pharmaceutical (a company listed on the Main Board of the Stock Exchange), is a healthcare retail chain specializing in provision of health-related products and services with more than 40 stores in Hong Kong currently.

CR Care has been a customer of the Group since 2015 and has been remained one of the major customers of the Group. To further enhance the business relationship between the Group and the CR Care, the Group also wishes to purchase certain products from the CR Care 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 CR Care'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 more favourable payment terms.

The Directors believe that entering into the Master Sale and Purchase Agreement will benefit the Group by enabling the Group to have access to CR Care'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) 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 a reputable omnichannel marketing and management service integrator of healthcare and wellbeing related products in Hong Kong. The Group principally engages in the provision of a variety of PCM, health supplement and other healthcare products through diversified online and offline sales channels, through the operation of distributing products to chain retailers, non-chain retailers and traders, and operation of offline store, online stores and e-commerce portals to consumers.

CR Care, a subsidiary of CR Pharmaceutical (a company listed on the Main Board of the Stock Exchange), is a healthcare retail chain specializing in provision of health-related products and services with more than 40 stores in Hong Kong currently.

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, CR Care is a wholly-owned subsidiary of CR Pharmaceutical which is the holding company owning 100% equity of CR Retail, CR Care is thus, an associate of CR Retail, a substantial shareholder of the Company holding approximately 18.99% of the issued shares of the Company. Accordingly, CR Care is considered as a connected person of the Company and the transactions contemplated under the Master Sale and Purchase Agreement constitute continuing connected transactions of the Company 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 the Master Sale and Purchase Agreement is more than 0.1% but is less than 5%, the continuing connected transactions thereunder are subject to the reporting, announcement and annual review requirements but exempt from circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that CR Retail is a substantial shareholder of the Company and CR Care is an associate of CR Retail and Mr. Cao Weiyong is a director and general manager of CR Care and Ms. Chong Yah Lien is a director of each of CR Retail and CR Care and are considered to have material interests in the transactions, each of Mr. Cao Weiyong 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 other Director has any material interests in the transactions contemplated under the Master Sale and Purchase Agreement.



## DEFINITIONS

In this announcement, the following expressions 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 and 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 Products”	certain PCM, health supplement and other healthcare products sold or to be sold by CR Care
“CR Retail”	China Resources Pharmaceutical Retail Group Limited, an investment holding company incorporated in 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
“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
“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 15 December 2023 entered into between the Company and CR Care in relation to the sale and purchase of Tycoon Products and CR Products for a term commencing on 1 January 2024 and ending on 31 December 2026
“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 announcement, excludes Hong Kong, Macau and Taiwan
“Shareholder(s)”	the shareholders 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 Products”	certain PCM, health supplement and other healthcare products sold by the Group

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

Hong Kong, 15 December 2023

*As at the date of this announcement, the Board comprises one executive Directors, namely Mr. Wong Ka Chun Michael; four non-executive Directors, namely Mr. Cao Weiyong, Ms. Chong Yah Lien, Ms. Li Ka Wa Helen and Mr. Lau Ka On David; and three independent non-executive Directors, namely Mr. Chung Siu Wah, Ms. Chan Ka Lai Vanessa and Mr. Mak Chung Hong (also known as Mak Tommy Chung Hong).*