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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)

CONNECTED TRANSACTION – LEASING OF PROPERTIES FROM CONNECTED PERSON

The Board announces that on 15 December 2023, TGL, an indirect wholly-owned subsidiary of the Company, entered into the Tenancy Agreement with Mr. Wong, as landlord of the Premises, in relation to the leasing of the Premises for a term of three years.

The HKFRSs applicable to the Group include HKFRS 16 “Leases” which came into effect on 1 January 2019. Under HKFRS 16 and in the consolidated statement of financial position of the Group, the Group as the lessee shall recognise a lease as a right-of-use asset and a lease liability. The right-of-use asset represents its right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the Rent).

As at the date of this announcement, the Landlord is Mr. Wong (an executive Director, the chairman of the Board, chief executive officer and one of the Controlling Shareholders), hence the Landlord is a connected person of the Company.

As the highest applicable percentage ratios with respect to the value of the Right-of-Use Asset (Lease) is more than 0.1% but is less than 5%, the Tenancy Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements but exempt from circular and Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

TGL, an indirect wholly-owned subsidiary of the Company, as tenant, has entered into the Tenancy Agreement with Mr. Wong, as landlord of the Premises, in relation to the leasing of the Premises for a term of three years.

THE TENANCY AGREEMENT

A summary of the principal terms of the Tenancy Agreement are set out below:

- Parties** : TGL as tenant and Mr. Wong as landlord
- Date** : 15 December 2023
- Premises** : (1) Workshops 12, 13, 14 and 15 on 6/F, Workshops 12 and 16 on 8/F, Workshop 5 on 9/F, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories (“**Premises A**”); and
(2) Car Parking Spaces Nos. L7, L8, P19, L20, L22 and P27 on 3/F, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories (“**Premises B**”).
- Term** : From 1 January 2024 to 31 December 2026 (both days inclusive).
- Usage** : For warehouse and car parking purposes.
- Rent** : HK\$297,000.00 per month (inclusive of rates, Government rent, management charges) payable by the Tenant in advance on the first day of every calendar month. Breakdown of the Rent is as follows:
(1) the rent apportioned for Premises A: HK\$275,000.00 per month; and
(2) the rent apportioned for Premises B: HK\$22,000.00 per month.
- Other fees payable (“Other Fees”)** : charges for utilities at the Premises and all taxes, assessments, duties, charges, impositions and outgoings of a recurring nature imposed or charged from time to time on the Premises or upon the owner or occupier of the Premises by the Government or other competent authority other than property tax and expenses of a capital or non-recurring nature shall be paid by the Tenant.
- Deposit** : HK\$579,000.00, being the deposit brought forward from the previous tenancy agreement dated 25 January 2022.

ACCOUNTING IMPLICATION TO THE TENANCY AGREEMENT

In accordance with the HKFRSs applicable to the Group, the payments by the Group contemplated under the Tenancy comprise different components and hence different accounting treatments will be applied. The Rent to be made by the Group under the Tenancy Agreement is capital in nature and will be recognised, among others, as assets of the Group at the commencement date of the Tenancy Agreement. The unaudited value of the right-of-use asset to be recognised by the Group in connection with the

Tenancy is HK\$10,077,891, which is calculated with reference to the present value of the aggregated non-cancellable lease payments to be made under the Tenancy Agreement. The Other Fees to be made by the Group under the Tenancy Agreement is revenue in nature and will be recognised, among others, as expenses of the Group over the lease term of the Tenancy Agreement.

The HKFRSs applicable to the Group include HKFRS 16 “Leases” which came into effect on 1 January 2019. Under HKFRS 16 and in the consolidated statement of financial position of the Group, the Group as the lessee shall recognise a lease as a right-of-use asset and a lease liability. The right-of-use asset represents its right to use the underlying leased asset over the lease term and the lease liability represents its obligation to make lease payments (i.e. the Rent). The asset and the liability arising from the lease are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Tenancy Agreement, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated statement of comprehensive income of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use asset, and (ii) interest expenses amortised from the lease liability over the lease term.

REASONS FOR AND BENEFITS OF ENTERING INTO OF THE TENANCY AGREEMENT

The Premises is currently used by the Group as warehouse premises and car parking purposes. The tenancy relating to the warehouses and all the car parking spaces would expire on 31 December 2023. With a view to continuing to occupy such premises without any disruption, the Group and the Landlord have agreed, with reference to the prevailing market conditions, on the terms and conditions of the Tenancy Agreement. The Directors are of the view that the continued leasing of the Premises under the Tenancy Agreement not only help the Group maintain stability in operations but also minimise the administrative time and cost for finding and relocating to a new premises.

The terms of the Tenancy agreement are on normal commercial terms or better and were negotiated on an arm’s length basis with reference to the prevailing market rent for comparable premises in the vicinity.

INFORMATION OF THE PARTIES TO THE TENANCY AGREEMENT

TGL and the Group

TGL, an indirect wholly-owned subsidiary of the Company, is an omnichannel brand marketing and management service integrator of health and well-being related products. The Group principally engages in the provision of a variety of proprietary Chinese medicine, health supplement, skin care, personal care and other healthcare products through diversified online and offline sales channels, through the operation of distributing products to chain retailers, non-chain retailers and traders, and operation of offline stores, online stores and e-commerce portals to consumers.

The Landlord

As at the date of this announcement, Mr. Wong is an executive Director, the chairman of the Board, chief executive officer and a Controlling Shareholder holding approximately 56.01% of the issued share capital of the Company.

LISTING RULES IMPLICATION

By virtue of his relationship with the Group as described above, Mr. Wong, being the Landlord, is a connected person of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratios with respect to the value of the Right-of-Use Asset (Lease) is more than 0.1% but is less than 5%, the Tenancy Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements but exempt from circular and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wong has abstained from voting at the Board meeting to approve the Tenancy Agreement in view of Mr. Wong's interest in the Tenancy Agreement. Save as disclosed above, to the best of the Directors' knowledge having made all reasonable enquiries, no other Directors has a material interest in the Tenancy Agreement (and the transactions contemplated thereunder) and was required to abstain from voting at the Board meeting in respect of the Tenancy Agreement and the transactions contemplated thereunder.

The Directors (including the independent non-executive Directors) are of the view that:

- (i) the terms of the Tenancy Agreement are on normal commercial terms or better that are fair and reasonable and in the interests of the Company and the Shareholders as a whole;
- (ii) the entering into of the Tenancy Agreement is in the ordinary and usual course of business of the Group.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms and expressions shall have the following meanings when used herein:

“Board”	the board of Directors
“Company”	Tycoon Group Holdings Limited (stock code: 3390), 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
“connected person”	has the meaning ascribed to it in the Listing Rules

“ Controlling Shareholder(s) ”	has the meaning ascribed to it in the Listing Rules
“ Director(s) ”	director(s) of the Company
“ Group ”	the Company and its subsidiaries
“ HK\$ ”	Hong Kong dollar, the lawful currency of Hong Kong
“ HKFRS(s) ”	Hong Kong Financial Reporting Standard(s) issued by the Hong Kong Institute of Certified Public Accountants from time to time
“ 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
“ Mr. Wong ” or “ Landlord ”	Mr. Wong Ka Chun Michael, an executive Director, the chairman of the Board, chief executive officer and one of the Controlling Shareholders
“ Premises ”	(1) Workshops 12, 13, 14 and 15 on 6/F, Workshops 12 and 16 on 8/F, Workshop 5 on 9/F, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories (“ Premises A ”); and (2) Car Parking Spaces Nos. L7, L8, P19, L20, L22 and P27 on 3/F, Wah Wai Centre, Nos. 38-40 Au Pui Wan Street, Shatin, New Territories (“ Premises B ”)
“ Rent ”	the rent (inclusive of rates, Government rent, management charges) payable by TGL to Mr. Wong under the Tenancy Agreement
“ Right-of-Use Asset (Lease) ”	an asset representing the value of the Group’s right (as lessee) to use for the leased Premises in relation to the Tenancy Agreement in its consolidated financial statements pursuant to HKFRS 16 “Leases”
“ Share(s) ”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“ Shareholders ”	the holders of the Share(s)
“ Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“ TGL ” or “ Tenant ”	Tycoon Global Limited, a company incorporated in Hong Kong with limited liability and an indirectly wholly-owned subsidiary of the Company

“ Tenancy ”	the tenancy of the Premises pursuant to the Tenancy Agreement and the transactions contemplated thereunder
“ Tenancy Agreement ”	the tenancy agreement dated 15 December 2023 entered into between TGL as tenant and Mr. Wong as landlord in relation to the leasing of the Premises
“%”	per cent

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 executive Director is Mr. Wong Ka Chun Michael; the non-executive Directors are Mr. Cao Weiyong, Ms. Chong Yah Lien, Ms. Li Ka Wa Helen and Mr. Lau Ka On David; and the independent non-executive Directors are Mr. Chung Siu Wah, Ms. Chan Ka Lai Vanessa and Mr. Mak Chung Hong (also known as Mak Tommy Chung Hong).