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RM GROUP HOLDINGS LIMITED
御藥堂集團控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 932)

VOLUNTARY ANNOUNCEMENT
THE ACQUISITION OF
THE ENTIRE ISSUED SHARE CAPITAL OF STAR ROOT LIMITED
AND
CHANGE IN USE OF PROCEEDS

Financial Advisor to the Company



WALLBANCK BROTHERS
Securities (Hong Kong) Limited

This is a voluntary announcement made by the Company.

THE ACQUISITION

Reference is made to the announcement of the Company dated 22 November 2016 in relation to a non-legally binding memorandum of understanding dated 22 November 2016 entered into between the Company and the Vendor in respect of the possible Acquisition.

The Board is pleased to announce that on 9 January 2017 (after trading hours), the Company and the Vendor entered into the Acquisition Agreement in relation to the sale and purchase of the Sale Shares of the Target Company. Completion of Acquisition Agreement is conditional upon, the Conditions Precedent set out in the Acquisition Agreement being satisfied on or before the Long Stop Date.

The aggregate Consideration shall be up to HK\$50,000,000, to be paid by the Company to the Vendor by (i) a sum of HK\$5,000,000 in cash within 3 Business Days from the execution of the Acquisition Agreement and (ii) a sum of HK\$45,000,000 in cash upon Completion.

LISTING RULES IMPLICATIONS

As none of the applicable percentage ratio(s) as set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5%, the Acquisition therefore does not constitute a notifiable transaction of the Company under the Listing Rules.

This announcement is published by the Company on a voluntary basis.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties of the Company.

WARNING NOTICE

Shareholders and potential investors of the Company should be aware that the Acquisition Agreement is subject to the fulfillment of certain conditions, as set out in the subsection headed "Conditions Precedent" of this announcement, being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.

PRINCIPAL TERMS OF THE ACQUISITION AGREEMENT

THE ACQUISITION AGREEMENT

Date

9 January 2017 (after trading hours)

Parties

Vendor: Saffron Production Company Limited

Purchaser: the Company

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

Assets to be acquired by the Company

The Sale Shares, representing 100% of the issued share capital of the Target Company.

Consideration and Manner of Payment

The total Consideration shall be HK\$50,000,000 and shall be satisfied in the following manner:

- (i) a refundable deposit in the sum of HK\$5,000,000 shall be payable in cash by the Company to the Vendor or its nominee(s) (as the Vendor may direct in writing) within 3 Business Days from the execution of the Acquisition Agreement. The refundable earnest money of HK\$5,000,000 deposited into an escrow account with the escrow agent (as detailed in the announcement of the Company dated 22 November 2016) shall be applied to settle the above-mentioned part of consideration upon the mutual instructions given by the Company and the Vendor to the escrow agent to release the refundable earnest money; and
- (ii) a sum of HK\$45,000,000 shall be payable in cash by the Company to the Vendor or its nominee(s) (as the Vendor may direct in writing) upon Completion.

Bases of Consideration

The Consideration was determined after arm's length negotiations between the Company and the Vendor and was determined with reference to a preliminary valuation prepared by Colliers International (Hong Kong) Limited, an independent valuer.

The Directors consider that the Consideration and the terms and conditions of the Acquisition are fair and reasonable, on normal commercial terms, in the ordinary and usual course of business of the Company and are in the interests of the Company and the Shareholders as a whole.

Conditions Precedent

Completion is conditional upon the following conditions being fulfilled or, as the case may be, waived, on or before the Long Stop Date:

- (1) no takeover implication or obligation having been triggered under the Takeovers Code;
- (2) no “reverse takeover” (as defined under the Listing Rules) having been triggered or ruled by the Listing Committee/Division of the Stock Exchange;
- (3) the Company being satisfied with the results of the due diligence exercise on the businesses, assets, liabilities, operations, financial, legal or other status of each member of the Target Group, Guangdong Huacheng and Send Free, which the Company thinks necessary and appropriate to conduct, including but not limited to the following reports (if applicable):
 - a. business plan, model, and strategy reports;
 - b. business operation progress report;
 - c. technology application and product reports;
 - d. capex and capital commitments reports;
 - e. legal, compliance, licenses and intellectual property reports;
 - f. industry review report; and
 - g. risk assessment report;
- (4) the Company having obtained the audited report of 2016 of the Target Company prepared by the auditor as appointed by the Company in the form and substance acceptable to the Company (if applicable);
- (5) the Company having obtained a written legal opinion from the relevant PRC lawyers in the form and substance acceptable to the Company (which shall include but not limited to the findings of due diligence of the Vendor and the Target Group in relation to the Transaction);

- (6) the Company having obtained a feasibility study in the form and substance reasonably satisfactory to the Company (if applicable);
- (7) the Company being satisfied with the relevant Valuation Report on the shares of the Target Company by an independent valuer specified by the Company;
- (8) the Board having approved and authorised the Acquisition Agreement and the transactions contemplated thereunder;
- (9) the board of directors of the Vendor having approved and authorised the Acquisition Agreement and the transactions contemplated thereunder;
- (10) the passing of the necessary resolution(s) by the Shareholders of the Company at the special general meeting(s) approving the Acquisition Agreement and the transactions contemplated thereunder (if applicable);
- (11) none of the undertakings, negative pledges, warranties and representations of the Vendor contained in the Acquisition Agreement having been breached in any material respect or being misleading or untrue in any material respect;
- (12) none of the undertakings, negative pledges, warranties and representations of the Company contained in the Acquisition Agreement having been breached in any material respect or being misleading or untrue in any material respect;
- (13) all necessary governmental and regulatory approvals or consents (or waivers), including but not limited to those from the Stock Exchange, the SFC and/or other authority, required by the Vendor and the Company or any of them for the consummation of the transactions contemplated therein having been obtained (if applicable);
- (14) all necessary third party approvals or consents (or waivers) required by the Company and the Vendor or any of them for the consummation of the transactions contemplated therein having been obtained (if applicable);
- (15) the Company obtains sufficient funding to discharge its obligation under the Acquisition Agreement;
- (16) the Vendor having confirmed in writing that from the date of signing of the Acquisition Agreement, there has not been any abnormal operations nor any material adverse change in the business, positions (including assets, financial and legal status), operations, performance or assets, or any undisclosed material potential risks in respect of the Target Group;

- (17) the Acquisition Agreement and the transaction contemplated thereunder having complied with the relevant laws and regulations in the PRC and all necessary PRC governmental or regulatory approval or consents (or waiver) having been obtained (if applicable);
- (18) Send Free and the Target Company having together established a joint venture company Tenfok Asia and having executed a relevant shareholders' agreement and the relevant shareholders' agreement remains effective on the Completion Date;
- (19) Guangdong Huacheng having executed an authorization letter (the "**Authorization Letter**"), confirming, among others, that (i) the exclusive rights to deal with gd.qq.com as the exclusive and sole advertising agency in Hong Kong, and (ii) the exclusive operating rights of the Hong Kong station of the gd.qq.com from the period of 15 October 2016 to 31 December 2019 (the "**Rights**") have been delegated and/or assigned to Tenfok Asia in full from Guangdong Huacheng from the period of 1 November 2016 to 31 December 2019 and the Authorization Letter remains effective on the Completion Date; and
- (20) Guangdong Tengnan having given consent to (i) approve the Authorization Letter; (ii) undertake and warrant that the Rights remain effective after the Completion.

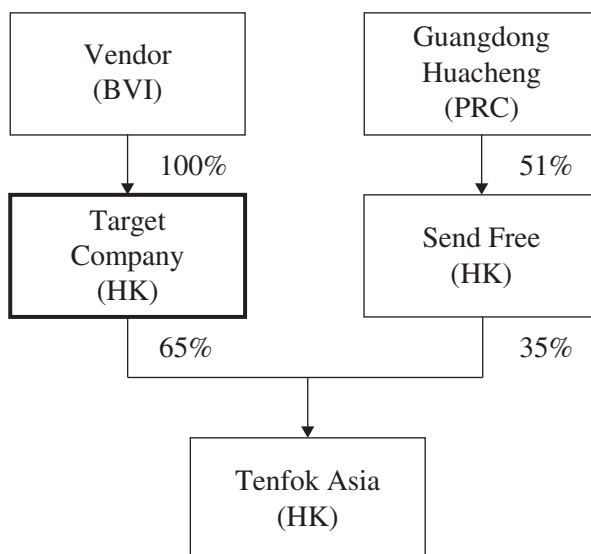
If any of the above Conditions Precedent has not been fulfilled (or waived by the Company) by the Long Stop Date, either the Company or the Vendor shall be entitled to terminate the Acquisition Agreement by giving written notice to the other whereupon the Vendor shall return HK\$5,000,000 in full to the Company within 5 Business Days and the relevant provisions of the Acquisition Agreement shall from such date have no further force and effect and no Party to the Acquisition Agreement shall have any liability under the Acquisition Agreement (without prejudice to the rights of the Parties to the Acquisition Agreement in respect of any antecedent breaches).

Completion

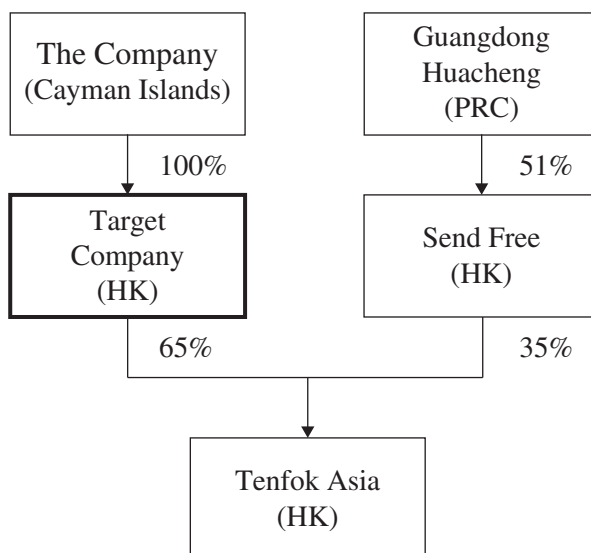
Subject to the fulfillment (or waiver) of all the Conditions Precedent on or before the Long Stop Date, Completion shall take place on the Completion Date or such other date as the Parties may from time to time agree in writing. Upon Completion, the Target Company shall become a wholly-owned subsidiary of the Company.

CORPORATE STRUCTURE

Before the Acquisition



After the Completion



INFORMATION OF THE COMPANY

The Company is incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange. The Company and its subsidiaries are principally engaged in the business of sale, marketing and distribution of health and beauty supplements and products in Hong Kong, Taiwan and the PRC.

INFORMATION OF THE VENDOR

Saffron Production Company Limited is a company incorporated in Hong Kong with limited liability and holds 100% equity interest in the Target Company.

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties.

INFORMATION OF THE TARGET COMPANY

The Target Company, Star Root Limited, is a company incorporated in the BVI with limited liability, and shall, through its subsidiary, be principally engaged in the online advertising agency business.

Pursuant to the shareholders' agreement entered into between the Target Company and Send Free dated 15 November 2016, Tenfok Asia is incorporated in Hong Kong and is owned as to 65% by the Target Company and as to 35% by Send Free. Tenfok Asia was given consent by Guangdong Tengnan through a declaration letter dated 6 December 2016 to act as the secondary agent of Guangdong Huacheng to operate gd.qq.com, for, among other things, (i) the exclusive rights to deal with the gd.qq.com as the exclusive and sole advertising agency in Hong Kong, and (ii) the exclusive operating rights of the Hong Kong station of gd.qq.com from the period of 1 November 2016 to 31 December 2019.

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Target Company and its ultimate beneficial owners are Independent Third Parties.

REASONS AND BENEFITS OF THE ACQUISITION

Enhancement and diversification of the Company's business

As stated in the annual report of the Company for the year ended 31 March 2016, in view of weak performance of the retail sector in Hong Kong and the uncertain economic environment, the Company intends to increase market share and expand the existing core business, including plans to open up more sales channels for its products, place strong emphasis on multifaceted marketing strategy through utilizing various media and channels, and further expand its business in the PRC.

The Directors consider that the entering of the Acquisition Agreement represents an opportunity to partner with and access to gd.qq.com to expand the sales and advertising channels for the Company's products which is in line with the above said business plans.

Further, the Acquisition represents an opportunity for the Company to enter into the Hong Kong and PRC online information platform and advertising business which provides an additional income and cash flow stream for the Group and further diversify the Company's overall business.

As such, the Board of the Company considers that the terms and conditions of the Acquisition Agreement are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

RISK FACTORS

Set out below are the risk factors which may be associated with the Acquisition:

Potential issue with Tenfok Asia renewing the Rights

The Target Company, through its subsidiary, Tenfok Asia, is required to obtain the Rights to conduct its main business. As Guangdong Huacheng currently holds the Rights from the period of 15 October 2016 to 31 December 2019, the Rights may not be renewed upon expiry as may also give rise to a material adverse impact on the Target Group's business operations and financial position.

Possible unidentified risks concerning the Acquisition

Although the Group has conducted preliminary due diligence with respect to the Acquisition, the Group may not identify all material risks associated with the Acquisition due to inherent limitations of due diligence, including, among other things, unforeseen contingent risks or latent liabilities relating to the entities acquired or to be acquired that may not become apparent until in the future. Any such unidentified risk could have a material adverse impact on the Group's business, financial condition and results of operations after the completion of the Acquisition. Even if the Group identifies any such risk and terminates the Acquisition Agreement prior to the Completion, the Group's reputation may be harmed and the Group's prospects may be materially and adversely affected.

Target Group as newly formed

As the business of the Target Group is still in a relatively preliminary stage with no existing operations nor substantial assets, it requires time for improvement in quality and enhancement of market reputation in order to boost sales in the future. Hence the turnover may stay relatively low and losses may happen in the near future of the Target Group. This is a potential risk as may give rise to a material adverse impact on the Target Group's business operations and financial position.

Assumption and factors of the preliminary Valuation Report may not be realized

The preliminary Valuation Report was compiled by the independent valuer based on certain factors and assumptions estimated by the management of the Company in running the business. The said assumptions and factors may not be realized and may affect the evaluation significantly.

New business segment of the Group

The acquisition constitutes an investment in a new business sector, being online advertising agency and operating service of an online web portal business. The new business venture may pose significant challenges to the Company's administrative, financial and operational resources. The Company has relatively limited experience to run and manage the new business in the past and may rely heavily on other professionals for technical support.

Laws and regulations

The business of Target Group is subject to both Hong Kong and PRC government regulations, policies and controls. There can be no assurance that the relevant governments will not change such laws and regulations or impose additional or more stringent laws or regulations, or otherwise undesirable to future development of the health and beauty supplements and products industry.

CHANGE IN USE OF PROCEEDS

According to the disclosure on page 46 concerning the possible change of use of net proceeds in the interim report of the Company for the six months ended 30 September 2016, the Company shall apply the said HK\$50 million out of the unutilized proceeds concerning product development and expansion of overseas market to the Consideration of the Acquisition.

LISTING RULES IMPLICATIONS

As none of the applicable percentage ratio(s) as set out in Rule 14.07 of the Listing Rules in respect of the Acquisition exceeds 5%, the Acquisition therefore does not constitute a notifiable transaction of the Company under the Listing Rules.

This announcement is published by the Company on a voluntary basis.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Vendor and its ultimate beneficial owners are Independent Third Parties of the Company.

WARNING NOTICE

Shareholders and potential investors of the Company should be aware that the Acquisition Agreement is subject to the fulfillment of certain conditions, as set out in the subsection headed "Conditions Precedent" of this announcement, being satisfied, and consequently the Acquisition may or may not proceed. Accordingly, they are advised to exercise caution when dealing in the securities of the Company and if they are in any doubt about their position, they should consult their professional advisers.

DEFINITIONS

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

“Acquisition”	the proposed purchase the Sale Shares by the Company from the Vendor pursuant to the terms and conditions of the Acquisition Agreement
“Acquisition Agreement”	the sale and purchase agreement dated 9 January 2017 which was entered into between the Company and the Vendor in respect of the Acquisition
“Board”	the board of Directors
“Business Day(s)”	a day (excluding Saturday, Sunday and other general holidays in Hong Kong and any day on which a tropical cyclone warning no.8 or above is hoisted) on which licensed banks in Hong Kong are generally open for business

“BVI”	British Virgin Islands
“Company”	RM 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 (stock code: 932)
“Completion”	completion of the Acquisition in accordance with the terms and conditions precedent of the sale and purchase agreement
“Completion Date”	the date of Completion, which is within 2 Business Days after the fulfillment, or in the case may be, waiver of the Conditions Precedent or such other date as the Vendor and the Company may agree in writing
“Conditions Precedent”	the conditions precedent of the Acquisition Agreement, details of which are set out in the subsection headed “Conditions Precedent” in this announcement
“Consideration”	the consideration in relation to the sale and purchase of the Sale Shares, the details of which are set out in the subsection headed “Consideration” in this announcement
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Guangdong Huacheng”	Guangdong Huacheng Information Technology Co., Limited* (廣東華城信息科技有限公司), previously known as Jiangmen Huacheng Information Technology Co., Limited (江門市華城信息科技有限公司), a company incorporated in the PRC with limited liability and holds 51% of the equity interest in Send Free
“Guangdong Tengnan”	Guangdong Tengnan Information Technology Co., Limited* (廣東騰南網絡信息科技有限公司), a company incorporated in the PRC with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2017, or any other date(s) as may be agreed in writing by the Parties from time to time on which the Conditions Precedent shall be fulfilled
“Parties”	the Company and the Vendor
“PRC”	the People’s Republic of China, for the purpose of this announcement, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Purchaser”	the Company (or its subsidiaries)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the shares representing entire issued share capital of the Target Company
“Send Free”	Send Free Technology Limited, a company incorporated in Hong Kong with limited liability
“SFC”	the Securities and Futures Commission of Hong Kong
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Code”	the Codes on Takeovers and Mergers and Share Buy-backs issued by SFC

“Target Company”	Star Root Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries
“Tenfok Asia”	Tenfok Asia Limited (騰福亞洲有限公司), previously known as Big Luck Asia Limited, a company incorporated in Hong Kong with limited liability pursuant to a shareholders’ agreement between the Target Company and Send Free dated 15 November 2016
“Valuation Report”	the preliminary valuation report prepared by Colliers International (Hong Kong) Limited, an independent valuer, and commissioned by the Company in respect of the Target Group
“Vendor”	Saffron Production Company Limited, a company incorporated in Hong Kong with limited liability
“%”	per cent

By Order of the Board
RM Group Holdings Limited
CHAN Yan Tak
Chairman

Hong Kong, 9 January 2017

As at the date of this announcement, the executive directors of the Company are Mr. CHAN Yan Tak, Mr. WONG Mau Tai, Mr. LEE Chi Hang, Sidney, Mr. LIM Ming Shing, Tony, Mr. WONG Ping Yiu and Mr. WANG Xihua; and the independent non-executive directors of the Company are Prof. NG Ka Ming, Ms. SZETO Wai Ling, Virginia and Mr. LEUNG Winson Kwan Yau.

* for identification purpose only