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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)**

**DISCLOSEABLE TRANSACTION IN RELATION TO  
THE ACQUISITION OF THE ENTIRE ISSUED  
SHARE CAPITAL OF THE TARGET  
AND CHANGE IN USE OF PROCEEDS**

**Financial Adviser**



**THE ACQUISITION**

The Board is pleased to announce that on 30 June 2017 (after trading hours), the Company and the Vendors entered into the SPA, pursuant to which, the Company has conditionally agreed to acquire from the Vendors and the Vendors have conditionally agreed to sell to the Company the Sale Shares at the Consideration of HK\$270,000,000. Upon Completion, the Company will hold 100% of the issued share capital of the Target and the Target will become a direct wholly-owned subsidiary of the Company and accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.

## **LISTING RULES IMPLICATION**

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Acquisition is more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

**As Completion is conditional upon fulfillment of the conditions precedent set out in the SPA, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.**

## **INTRODUCTION**

Reference is made to the announcement of the Company dated 11 April 2017 in relation to, among others, the entering into of a memorandum of understanding regarding the proposed acquisition of all or part of the issued share capital in a company.

The Board is pleased to announce that the Company and the Vendors entered into the SPA on 30 June 2017. Pursuant to the SPA, the Company has conditionally agreed to acquire from the Vendors and the Vendors have conditionally agreed to sell to the Company the Sale Shares at the Consideration of HK\$270,000,000.

## THE SPA

The principal terms of the SPA are set out below:

### Date

30 June 2017 (after trading hours)

### Parties

Purchaser : The Company

Vendors : Cheung Shun Yee (張順宜)  
Cheung Shun Kut (張順吉)  
Ding Hai Yan (丁海燕)  
Larm Cheung Hon Peter (藍章漢)  
(collectively the “**Vendors**”)

The Vendors are the legal and beneficial owners of the entire issued share capital of the Target. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Vendors and his/her respective associates is an Independent Third Party.

### Assets to be acquired

The Sale Shares, representing the entire issued share capital of the Target.

### Consideration

The Consideration for the Sale Shares is HK\$270,000,000, which will be satisfied in the following manner:

- (i) HK\$5,000,000 as refundable cash deposit (the “**Deposit**”) paid to the Vendors in proportion to their shareholdings in the Target upon the signing of the SPA; and
- (ii) HK\$265,000,000 in cash to be payable to the Vendors in proportion to their shareholdings in the Target upon Completion;

In the event that the Vendors shall fail to perform or comply with any of its obligations as contained in the SPA or if there shall be any material breach of representations, warranties and undertakings provided by the Vendors under the SPA, or if the transactions contemplated under the SPA are not completed for any reason whatsoever, the Company shall be entitled to rescind

or terminate the SPA without prejudice to the Company's rights to demand the refund of the Deposit, and such Deposit shall be refunded to the Company by the Vendors within 5 Business Days upon termination.

The Consideration was determined after arm's length negotiations between the Company and the Vendors with reference to (i) the factors stated in the section headed "Reasons for and benefits of the Acquisition" set out below; and (ii) there is a condition that there will be a valuation report prepared by the Valuer showing that the market value of 70% of the issued share capital of the HK Subsidiary was no less than HK\$275,000,000 as at 31 May 2017 (the "**Valuation**").

The Consideration represents a discount of approximately 1.82% to the Valuation.

### **Source of Funding and Change in Use of Proceeds**

The Consideration will be funded by (i) the unutilized proceeds from the placing of the company's shares on the Stock Exchange; (ii) the net proceeds from the CB Placing; and (iii) internal financial resources of the Group.

### **Put Option**

In consideration of the payment by the Company of HK\$1 to each of the Vendors, each of the Vendors agrees to grant to the Company an option ("**Option**") exercisable within the Option Period to put to and require each of the Vendors to purchase from the Company the Option Shares (or any part or number thereof at the discretion of the Company) pro-rata to the proportion of the shareholdings of the Vendors in the capital of the Target, where the Company shall only be entitled to exercise the Option within the Option Period on the condition that ("**Condition to Exercise**"):

- (i) the WeChat Service Agreement has been terminated by written notice by Tenpay Payment Technology Company Limited 財付通支付科技有限公司 (the "**Tenpay**"), a leading integrated mobile payment platform in China, and retail merchants in Hong Kong without the default on the part of the HK Subsidiary within the First Period (as defined below) or the Second Period (as defined below); or
- (ii) (aa) the Net Revenue (as defined below) in the HK Subsidiary for the first 12 months period (the "**First Period**") after the Completion Date shall be less than HK\$5,000,000; or
- (bb) the Net Revenue in the HK Subsidiary for the period of 12 months (the "**Second Period**") after the expiration of the First Period shall be less than HK\$37,500,000.

For the purpose of ascertaining the net revenue of the HK Subsidiary for the First Period or as relevance, the Second Period generated under the WeChat Service Agreement, the parties hereto agree to instruct and direct the auditors for the time being of the HK Subsidiary to issue a certificate (“**Auditors’ Certificate**”) stating the amount of net revenue generated under the WeChat Service Agreement (“**Net Revenue**”) for the First Period or as relevance, the Second Period. The Auditors’ Certificate should be provided before the date falling three months from the end of the First Period or as relevance, end of the Second Period and the figure of the Net Revenue as stated in the Auditors’ Certificate shall be final.

The Option shall be exercised to cover the Option Shares (or any part or number thereof at the sole discretion of the Company) once at any time within the Option Period.

The purchase price payable by the Vendors to the Company for the Option Shares on exercise of the Option (“**Option Shares Price**”) shall be determined as follows:

- (i) in the event the Condition to Exercise occurs within the First Period and the Company elects to exercise the Option, the total Option Share Price shall be equivalent to the following amount:

<u>Consideration</u>	X	<u>Actual number of Option Shares put by the Company to the Vendors on exercise of the Option</u>
1.161		Total number of issued shares of the Target at the time of exercise of the Option

- (ii) in the event the Condition to Exercise occurs within the Second Period and the Company elects to exercise the Option, the total Option Share Price shall be equivalent to the following amount:

<u>Consideration</u>	X	<u>Actual number of Option Shares put by the Company to the Vendors on exercise of the Option</u>
(1.161 x 1.161)		Total number of issued shares of the Target at the time of exercise of the Option

## **Conditions Precedent**

Completion is subject to and conditional upon due and complete fulfilment, on or before the Long Stop Date, of all the following conditions being satisfied (or, if applicable, waived):

- (a) the Target remains the legal and beneficial owner of 70% equity interest in the HK Subsidiary and the WeChat Service Agreement and the status being the WeChat Pay Service Provider remains valid at Completion;
- (b) the legal, financial, operational and other due diligence review on the affairs of the Target being completed and the results thereof being satisfactory to the Company;
- (c) the completion of the CB Placing;
- (d) all necessary consents, waivers, licences and approvals required to be obtained from relevant governmental authority and relevant third party on the part of the Vendors and the members of the Target Group in respect of the SPA and the transactions contemplated thereunder having been obtained and remain in full force and effect;
- (e) all necessary consents, waivers, licences and approvals required to be obtained from relevant regulatory authorities and relevant third party, including but not limited to those from the Stock Exchange and/or the SFC, on the part of the Company in respect of the SPA and the transactions contemplated thereunder having been obtained and remain in full force and effect;

- (f) (if necessary and required by the Listing Rules) the passing of the necessary resolution(s) by the Shareholders (other than those who are required to abstain from voting under the Listing Rules and applicable laws, rules and regulations) in general meeting to approve:
  - i. the SPA and the transactions contemplated in or incidental to the SPA and the implementation thereof, including, but not limited to, the acquisition of the Sale Shares in accordance with the terms thereof; and
  - ii. such other matters as mandatorily required by the Stock Exchange for consummation of the transactions contemplated therein;
- (g) the Company having obtained a valuation report issued by the Valuer indicates that the market value of 70% of the entire issued share capital of the HK Subsidiary as of 31 May 2017 is not less than HK\$275,000,000;
- (h) the representations, warranties and undertakings provided by the Vendors under the SPA remaining true and accurate in all respects;
- (i) the Company being satisfied that there has not been any event, occurrence or development of a state of circumstances or facts which has had or reasonably could be expected to have a material and adverse effect on the financial position, management, business or property, results of operations, legal or financing structure, business prospects or assets or liabilities of the Target in respect of any member of the Target Group since the date of the SPA;
- (j) the Vendors having delivered to the Company of both the certificate of incumbency and the certificate of good standing of the Target issued within 5 Business Days prior to the Completion Date; and
- (k) no “reverse takeover” (as defined under the Listing Rules) having been triggered or ruled by the Listing Division of the Stock Exchange in relation to the transaction contemplated under the SPA; and
- (l) there being no claim, litigation, arbitration, prosecution or other legal proceedings or any investigation, enquiry or in any proceedings or hearing before any statutory or governmental body, department, board or agency against the Vendors or any member of the Target Group as at the date of the SPA.

The Company may waive conditions (b), (h), (i), (j) and (l) above at its discretion. If the aforesaid conditions have not been satisfied (or, as the case may be, waived by the Company) on or before 4:00 p.m. on the Long Stop Date or the parties to the SPA have reached any agreement in writing to extend the Long Stop Date, the Company shall not be bound to proceed with the purchase of the Sale Shares under the SPA and the SPA (other than the survival clauses) shall from the Long Stop Date become void. The Vendors shall within 5 Business Days after the Long Stop Date return the full amount of the Deposit to the Company without any interest and upon the Vendors fully refunded the Deposit to the Company, the SPA shall be terminated and the parties to the SPA shall have no further obligations under the SPA save as to any rights on any antecedent breach of the SPA.

### **Completion**

Subject to the conditions precedent being fulfilled (or, where applicable, waived) under the SPA, Completion shall take place at or before 4:00 p.m. on the Completion Date (or such later date as the Company and the Vendors may agree in writing).

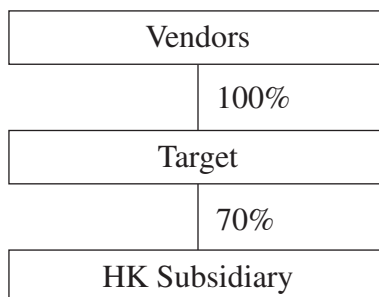
Upon Completion, the Company will hold 100% of the issued share capital of the Target and the Target will become a direct wholly-owned subsidiary of the Company. Accordingly, the financial information of the Target Group will be consolidated into the accounts of the Group.



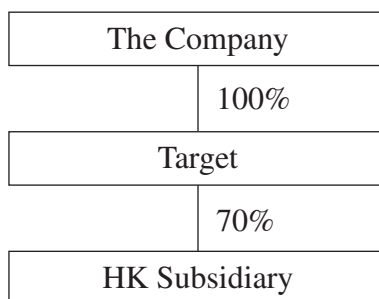
## SHAREHOLDING STRUCTURE OF THE TARGET GROUP

Set out below is the shareholding structure of the Target Group (i) immediately prior to Completion; and (ii) immediately after Completion:

### Shareholding structure of the Target Group immediately prior to Completion



### Shareholding structure of the Target Group immediately after Completion



## INFORMATION OF THE TARGET GROUP

The Target is a company incorporated in the BVI with limited liability, which is wholly owned by the Vendors immediately prior to Completion. The Target is an investment holding company and is the legal and beneficial owner of 70% of the issued share capital of the HK Subsidiary. Save for its 70% direct interest in the HK Subsidiary, the Target did not engage in other business activities since its incorporation.

The HK Subsidiary is a company incorporated in Hong Kong with limited liability and is an information security and internet-related business services provider. It is principally engaged in the business of provision of WeChat Pay cross border solutions to Tenpay.

## FINANCIAL INFORMATION OF TARGET GROUP

As the Target is newly established, no audited financial statements have been prepared.

Set out below is a summary of the key financial data of the HK Subsidiary, being the operating entity of the Target Group, extracted from its unaudited financial statements for the period from 5 August 2016 (date of incorporation) to 31 March 2017 and from 1 April 2017 to 31 May 2017, respectively:

	<b>From 5 August 2016 (date of incorporation) to 31 March 2017 (unaudited) HK\$'000</b>	<b>From 1 April 2017 to 31 May 2017 (unaudited) HK\$'000</b>
Revenue	–	–
Net loss before tax	(10)	(624)
Net loss after tax	(10)	(624)
Net assets	15	5,641

## REASONS FOR AND BENEFITS OF THE ACQUISITION

The Group is principally engaged in the business of sale, marketing and distribution of health and beauty supplements and products in Hong Kong, Taiwan and the PRC.

As disclosed in the annual results announcement of the Company dated 28 June 2017, the Group has been seeking different potential business opportunities in the market to develop diversified business.

WeChat is a leading PRC mobile message application and WeChat Pay is a payment feature integrated into the WeChat application. WeChat Pay users can complete payment to a merchant with smartphones. WeChat Pay application has been expanding to overseas merchants, enabling its users to make payments for goods and services via WeChat Pay overseas. The HK Subsidiary has entered into the WeChat Service Agreement with Tenpay on 25 January 2017 and is authorised to be one of the WeChat payment service providers in Hong Kong. Pursuant to the WeChat Service Agreement, the HK Subsidiary shall provide peripheral software and hardware solutions support, identify and approach potential merchants in Hong Kong for Tenpay adopting the WeChat Pay cross-border electronic fund transfer system by installing

point of sale terminals or quick response code scanners for merchants in Hong Kong to facilitate the PRC customers to settle purchase payments with merchants via WeChat Pay in Hong Kong, which is a payment solution to both the PRC customers and the merchants in Hong Kong.

When the PRC WeChat Pay users confirm the purchase through WeChat Pay, the relevant amount will be deducted from their PRC bank accounts linked to WeChat Pay. After collecting payment from the PRC bank accounts, Tenpay will settle the amount due to the respective merchants through the settlement services provided by its authorised WeChat payment service providers in Hong Kong. Since such arrangement involves foreign currencies settlement, the HK Subsidiary has entered into a service agreement with a Hong Kong based company (the “**Business Partner**”) which holds a money service operator license and is carrying on the business of money service operators. With the support of the Business Partner, the HK Subsidiary can also perform the said clearance/settlement functions, therefore, enabling it to provide a one stop WeChat Pay cross-border solutions to Tenpay.

With the growing prevalence in using smartphones, it becomes a trend in the PRC for consumers to use mobile app as a means for settlement. According to iResearch Global, the gross merchandise volume of third-party mobile payment of the PRC attained approximately RMB10 trillion in 2015 and is projected to reach approximately RMB22 trillion in 2017, representing an increase of approximately 1.2 times.

According to the statistics available from the website of the Census and Statistics Department:

- (i) the total number of tourists from the PRC has been the largest group of visitors to Hong Kong and accounted for in general over 75% of total visitor arrivals since 2013. The total number of PRC visitors for the first four months of 2017 has reached approximately 14 million, representing a growth of approximately 3.3% as compared to the same period last year; and
- (ii) the consumption expenditure (including both overnight visitors and same-day in-town visitors) of the PRC visitors also accounted for over 75% of the total consumption expenditure since 2013. In 2016, the consumption expenditure of the PRC visitors was approximately HK\$186,599 million.

In view of rapid growth of mobile commerce, the rising popularity of mobile payment among the PRC population, the stable number of visitors from the PRC and their consumption expenditure, the Board believes that there will be potential growth in demand in the use of WeChat Pay in Hong Kong and is optimistic to the development of the Target Group. The Board also considers the Acquisition represents an opportunity for the Company to enter into the mobile payment industry which will provide an additional income and cash flow stream to the Group and further diversify the Group’s overall business.

The Directors consider the terms of the SPA (including the Consideration) are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **VALUATION**

The Company is aware that if the valuation of the market value of 70% of the issued share capital of the HK Subsidiary to be prepared is adopting income approach using discounted cash flow method, the valuation would constitute a profit forecast under Rule 14.61 of the Listing Rules, in which event the Company will comply with the relevant Listing Rules when disclosing such valuation.

## **LISTING RULES IMPLICATION**

As one of the applicable percentage ratios under Chapter 14 of the Listing Rules in respect of the Acquisition is more than 5% but all applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is therefore subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

**As Completion is conditional upon fulfillment of the conditions precedent set out in the SPA, the Acquisition may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and as to the action they should take.**

## **DEFINITIONS**

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

“Acquisition”	the proposed acquisition of the entire issued share capital of the Target by the Company from the Vendors pursuant to the SPA
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules

“Banking Day”	any day on which banks in Hong Kong generally are open for clearing and settlement business, except a Saturday, Sunday, public holiday and any day on which a tropical cyclone warning No.8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.
“Board”	the board of Directors
“Business Day(s)”	a day excluding Saturdays and Sundays on which licensed banks are generally open for business in Hong Kong
“BVI”	the British Virgin Islands
“CB Placing”	the proposed placing of convertible bonds in an aggregate amount of up to HK\$300 million pursuant to the placing agreement entered into between the Company and Wealth Link Securities Limited (as amended from time to time), details of which are disclosed in the announcements of the Company dated 24 April 2017, 9 May 2017 and 31 May 2017
“Company”	RM Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, whose shares are listed on the Main Board of the Stock Exchange
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the SPA
“Completion Date”	the third Business Days immediately after the Long Stop Date on fulfillment (or waiver) of all the conditions precedent set out in the SPA
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Consideration”	the consideration for the Acquisition, being HK\$270,000,000
“Deed of Put Option”	the deed of the put option to be entered into among the Vendors and the Company at Completion

“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK Subsidiary”	N-Dimension Limited, a company incorporated in Hong Kong with limited liability
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and any of its connected persons (having the meaning ascribed to it under the Listing Rules)
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	30 September 2017 or such later date as the Vendors and the Company may agree in writing
“Option Period”	the period commencing on the Business Day immediately after the Completion Date and ending on last Business Day immediately after expiration of the 27 months from the date of Deed of Put Option
“Option Shares”	all the shares fully paid and beneficially owned by and registered in the name of the Company, representing the entire issued shares of the Target

“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Sale Shares”	50,000 ordinary share(s) of nominal value of US\$1 each in the share capital of the Target, representing the entire issued share capital of the Target
“SFC”	Securities and Futures Commission
“Share(s)”	ordinary share(s) of HK\$0.01 each in the capital of the Company
“Shareholders”	holders of the Shares
“SPA”	the sale and purchase agreement dated 30 June 2017 entered into among the Company and the Vendors in relation to the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	Empire Access Limited, a company incorporated in the BVI with limited liability and is wholly and beneficially owned by the Vendors immediately prior to Completion
“Target Group”	the Target and the HK Subsidiary
“WeChat Service Agreement”	the WeChat Pay Cross-border Acquiring Service Agreement dated 25 January 2017 entered into between the Hong Kong Subsidiary and Tenpay
“Valuer”	Colliers International (Hong Kong) Limited, an independent professional valuer

“Vendors” collectively Cheung Shun Yee, Cheung Shun Kut, Ding Hai Yan and Larm Cheung Hon Peter

“%” per cent

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

Hong Kong, 30 June 2017

*As at the date of this announcement, the executive Directors are Mr. CHAN Yan Tak, Mr. LEE Chi Hang, Sidney, Mr. LIM Ming Shing, Tony, Mr. WONG Ping Yiu, and Mr. WANG Xihua; and the independent non-executive Directors are Ms. Szeto Wai Ling, Virginia, Mr. Leung Winson Kwan Yau and Mr. Tam Kin Yip.*