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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 CONCERNING  
DISPOSAL OF SUBSIDIARIES**

**Financial Advisor to the Company**



**WALLBANCK BROTHERS  
Securities (Hong Kong) Limited**

**THE DISPOSAL**

The Board is pleased to announce that on 22 November 2016 (after trading hours), the Purchaser and the Vendor, an indirect wholly-owned subsidiary of the Company, entered into the Sale and Purchase Agreement, pursuant to which the Purchaser has conditionally agreed to acquire and the Vendor has conditionally agreed to dispose of the Sale Shares, representing 40% of the issued share capital of the Target Company, an indirect wholly-owned subsidiary of the Company, and the Sale Loan at an aggregate Consideration of HK\$4,500,000. Under the Sale and Purchase Agreement, the consideration for the Sale Shares is HK\$3,300,000 and the consideration for the Sale Loan is HK\$1,200,000, being 40% (on a pro rata basis) of the outstanding amount of a shareholder's loan due from Royal Medic (China) Limited, a direct wholly-owned subsidiary of the Target Company to the Vendor immediately before Completion.

Upon Completion, the Target Company will continue to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will continue to be consolidated into the Company's financial statements upon Completion.

#### **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in relation to the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party to the Company. The Purchaser was the former business development manager of the Company from 1 June 2016 to 30 September 2016.

#### **WARNING NOTICE**

**Completion of the Disposal is subject to, among other things, fulfillment of the conditions precedent of the Sale and Purchase Agreement as set out in the subsection headed "Conditions Precedent of the Sale and Purchase Agreement". As the Disposal may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

#### **THE DISPOSAL**

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## **PRINCIPAL TERMS OF THE SALE AND PURCHASE AGREEMENT**

### **Date:**

22 November 2016 (after trading hours)

### **Parties**

Vendor: Wisdom Come Medical Group Limited, an indirect wholly owned subsidiary of the Company

Purchaser: Ms. Li Yung

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party to the Company. The Purchaser was the former business development manager of the Company from 1 June 2016 to 30 September 2016.

### **Assets to be disposed of**

Sale Shares: 40 shares of US\$1.00 each of the Target Company, an indirect wholly-owned subsidiary of the Company, representing 40% of the issued share capital of the Target Company

Sale Loan: HK\$1,200,000, being 40% of the outstanding amount of a shareholder's loan due from Royal Medic (China) Limited, a direct wholly-owned subsidiary of the Target Company to the Vendor immediately before Completion

Immediately before Completion, such shareholder's loan due from Royal Medic (China) Limited to the Vendor shall be HK\$3,000,000 and will be HK\$1,800,000 immediately after Completion

The principal terms of the Sale Loan are the same as the shareholder's loan due from Royal Medic (China) Limited to the Vendor which are unsecured, interest free and have no fixed repayment terms

## **Consideration and Manner of Payment**

Pursuant to the terms of the Sale and Purchase Agreement, the aggregate Consideration shall be HK\$4,500,000. The consideration for the Sale Shares is HK\$3,300,000 and the consideration for the Sale Loan is HK\$1,200,000, being 40% (on a pro rata basis) of the outstanding amount of a shareholder's loan due from Royal Medic (China) Limited, a direct wholly-owned subsidiary of the Target Company to the Vendor immediately before Completion.

The Consideration shall be satisfied by the Purchaser to the Company in the following manner:

- (a) a sum of HK\$2,250,000 shall be payable in cash or other ways of settlement as may be agreed between the Parties, by the Purchaser to the Vendor or its nominee(s) (as the Vendor may direct in writing) upon execution of the Sale and Purchase Agreement; and
- (b) a sum of HK\$2,250,000 shall be payable in cash or other ways of settlement as may be agreed between the Parties, by the Purchaser to the Vendor or its nominee(s) (as the Vendor may direct in writing) upon Completion unless the Parties have mutually agreed to a later date in writing.

## **Bases of the Consideration**

The Consideration was arrived at based on normal commercial terms after arm's length negotiations between the Company and the Purchaser and was determined after taking into account the following factors:

- (i) the valuation report on the Target Company prepared by Steinberg Appraisal and Consulting (Hong Kong) Limited, an independent valuer. Under the market approach as adopted in such valuation report, the value of 100% equity interest of the Target Group as at 30 September 2016 was HK\$8,100,000;
- (ii) the audited net assets of the Target Group as approximately HK\$7,009,731 as at 31 March 2016 and unaudited net assets of the Target Group as approximately HK\$6,613,823 as at 30 September 2016;

- (iii) the estimated unaudited net assets of the Target Group of approximately HK\$6,283,548 upon completion of Corporate Reorganization; and
- (iv) any other bases of Consideration as the Company considered.

The Directors (including the independent non-executive Directors) hold the view that the terms of the Sale and Purchase Agreement (including the bases of the Consideration), as determined based on an arm's length negotiations between the Parties, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent**

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

- (i) no breach of Listing Rules 13.24 concerning sufficient operations and tangible assets;
- (ii) an irrevocable undertaking given by the Vendor that the Vendor shall procure the completion of the Corporate Reorganization of the Target Group within one month upon execution of the Sale and Purchase Agreement;
- (iii) the Purchaser being satisfied with the results of the due diligence exercise on the Target Company, including but not limited to its relevant businesses, assets, liabilities, operations, financial, legal or other status which the Purchaser thinks necessary and appropriate to conduct;
- (iv) the Purchaser being satisfied with the relevant valuation report on the Sale Shares by Steinberg Appraisal and Consulting (Hong Kong) Limited, an independent valuer;
- (v) none of the undertakings, warranties and representations of the Vendor contained in the Sale and Purchase Agreement having been breached in any material respect or being misleading or untrue in any material respect;
- (vi) none of the undertakings, warranties and representations of the Purchaser contained in the Sale and Purchase Agreement having been breached in any material respect or being misleading or untrue in any material respect;
- (vii) the Directors having approved and authorized the Sale and Purchase Agreement and the transactions contemplated thereunder;

- (viii) the board of directors of the Vendor having approved and authorized the Sale and Purchase Agreement and the transactions contemplated hereunder;
- (ix) 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 Company, the Vendor and the Purchaser or any of them for the consummation of the transactions contemplated in the Sale and Purchase Agreement having been obtained;
- (x) all necessary third party approvals or consents (or waivers) required by the Company, the Vendor and the Purchaser or any of them for the consummation of the transactions contemplated in the Sale and Purchase Agreement having been obtained; and
- (xi) the Vendor having confirmed in writing that from the date of signing of the Sale and Purchase 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 Company.

If any of the above conditions has not been fulfilled (or waived) on or before the Long Stop Date, the obligations of the Purchaser, the Vendor and the Company under the Sale and Purchase Agreement shall forthwith cease and terminate and neither the Purchaser nor the Company shall have any claim against the other party, save for any antecedent breach thereof.

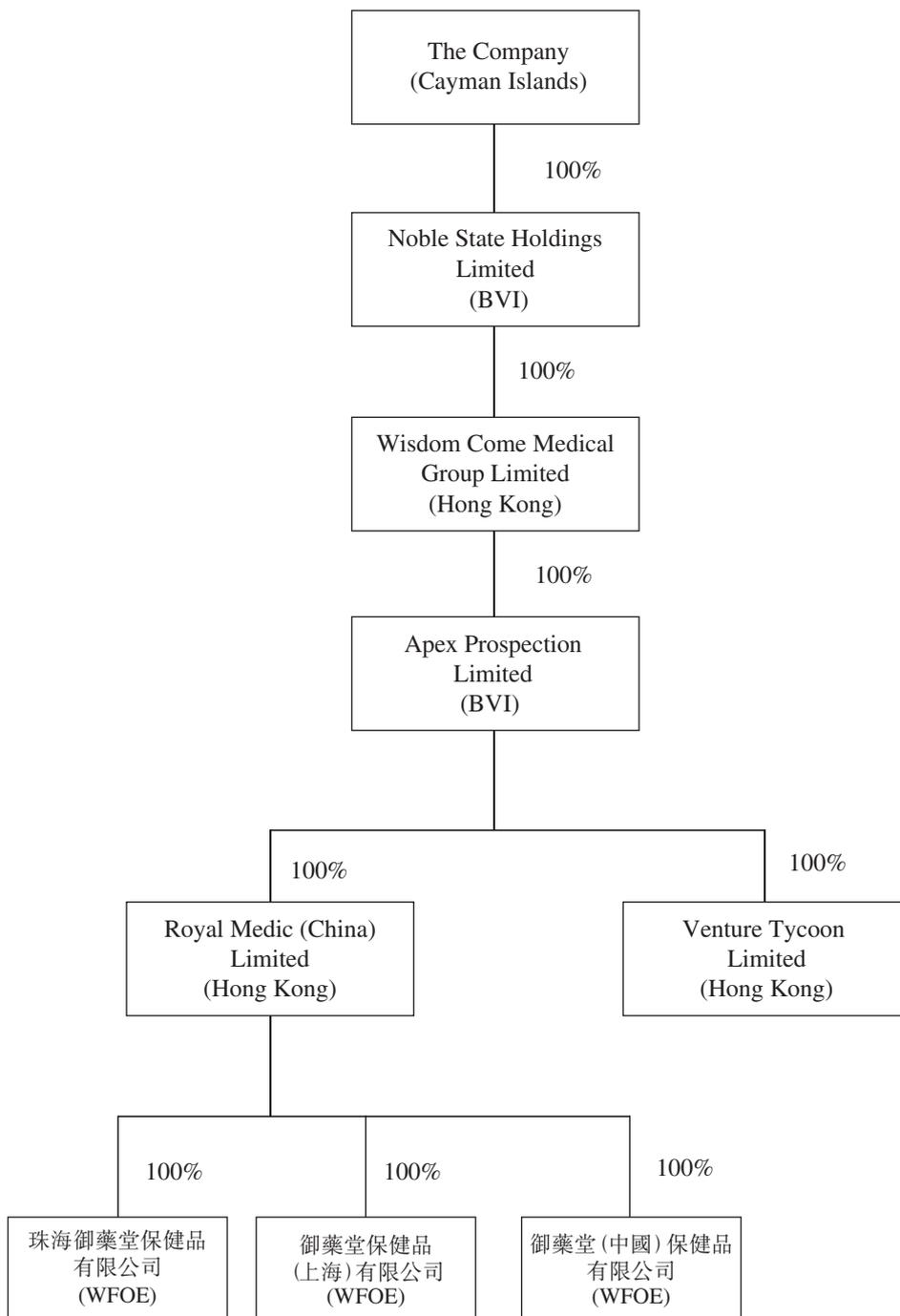
### **Completion**

Subject to the fulfillment (or waiver) of all the conditions precedent set out above on or before the Long Stop Date, Completion shall take place on the Completion Date or such other date as the Company and the Purchaser may from time to time agree in writing.

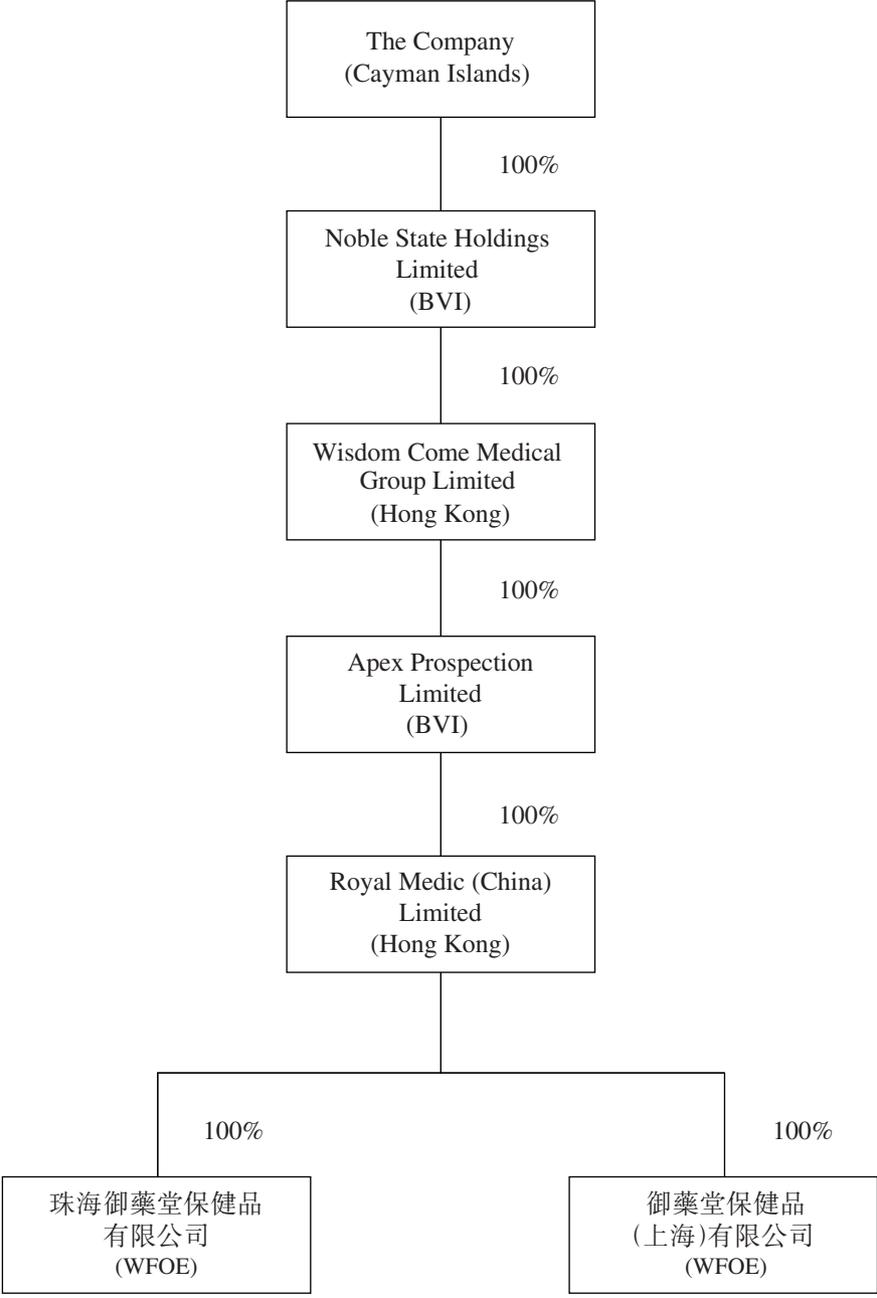
Upon Completion, the Target Company will continue to be a subsidiary of the Company. Accordingly, the financial results of the Target Company will continue to be consolidated into the Company's financial statements upon Completion.

# CORPORATE STRUCTURE

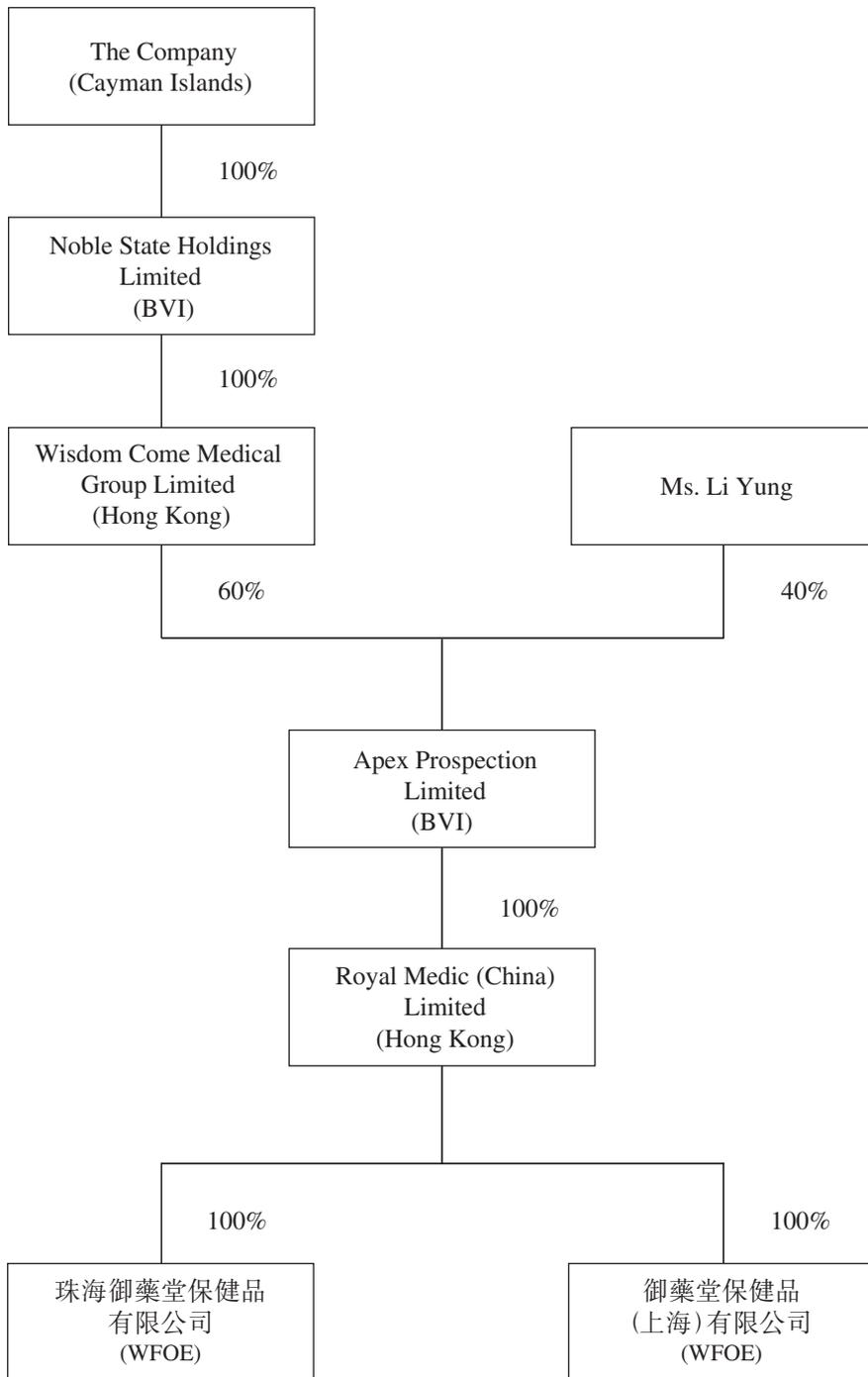
## Before Disposal and Corporate Reorganization



**After Corporate Reorganization**



## After Disposal and Corporate Reorganization



## **FINANCIAL IMPLICATIONS OF THE DISPOSAL**

Upon completion of the Disposal, the Target Company will continue to be a subsidiary of the Company.

Subject to audit by the auditor of the Group, the Group expects to recognize a gain of approximately HK\$654,000 from the Disposal as at 30 September 2016, which is calculated with reference to the Consideration, the unaudited carrying amount of net assets value of the Target Company of approximately HK\$6,613,823 as at 30 September 2016.

Subject to audit by the auditor of the Group, the Group expects to recognize a gain of approximately HK\$787,000 from the Disposal upon completion of Corporate Reorganization, which is calculated with reference to the Consideration, the estimated unaudited net assets of the Target Group of approximately HK\$6,283,548 upon completion of Corporate Reorganization.

## **REASONS FOR THE DISPOSAL AND USE OF PROCEEDS**

As disclosed in the 2015/16 annual report of the Company, the Group has entered into a supplemental agreement with its existing sole distributor of its certain products in the PRC in revoking its sole-distributorship status. As disclosed in the announcement of the Company dated 1 November 2016, there has been a significant drop in the net profit for the six months ended 30 September 2016 as compared to that of the same period in 2015. One of the reasons was due to the substantial decrease of the business operation in the PRC as the Group is exploring other business models, distribution channels and opportunities to develop the business after revoking its sole distributorship agreement. The Directors consider that the Disposal presents a good opportunity for the Company to engage a new strategic business and investment partner for potential and possible enhancement of the Group's product distribution business in the PRC.

The Directors (including the independent non-executive Directors) consider that the Disposal is on normal commercial terms and the terms of the Sale and Purchase Agreement are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

The proceeds from the Disposal in the total sum of HK\$4,500,000 will be used as the general working capital of the Group.

## **INFORMATION ON THE COMPANY**

The Company is incorporated in the Cayman Islands with limited liability with the shares of 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 ON THE VENDOR**

Wisdom Come Medical Group Limited is a company incorporated in Hong Kong with limited liability. The Vendor is an indirect wholly-owned subsidiary of the Company. The Vendor is principally engaged in investment holding.

## **INFORMATION ON THE PURCHASER**

The Purchaser is a Hong Kong permanent resident.

The Purchaser's family has engaged in various business segments in the PRC including food distribution and retail and consumer goods. Therefore, the Purchaser has extensive network and business relationship in the commodity retail market of the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party to the Company. The Purchaser was the former business development manager of the Company from 1 June 2016 to 30 September 2016.

## **INFORMATION ON THE TARGET COMPANY**

The Target Company is a company incorporated in the BVI with limited liability on 3 April 2012. The principal business of the Target Company is investment holding. The Target Group is principally engaged in the distribution of health and beauty supplements in the PRC.

Immediately before Completion, the Target Company is a direct wholly-owned subsidiary of the Vendor and an indirect wholly-owned subsidiary of the Company.

## FINANCIAL INFORMATION ON THE TARGET COMPANY

The unaudited consolidated financial information for the six months period ended 30 September 2016 and the audited consolidated financial information for the year ended 31 March 2016 and 31 March 2015 respectively of the Target Company are set out below:

	<b>For the period from 1 April 2016 to 30 September 2016 HK\$ (approximately)</b>	<b>For the year ended 31 March 2016 HK\$ (approximately)</b>	<b>For the year ended 31 March 2015 HK\$ (approximately)</b>
Turnover	–	10,559,031	7,734,944
Profit/(loss) before taxation	(124,672)	5,510,180	4,533,672
Profit/(loss) after taxation	(125,509)	4,068,873	3,311,584
Net Asset	6,613,823	7,009,731	3,296,009
Total Asset	12,853,781	13,498,013	11,339,723

The estimated unaudited net assets of the Target Group of approximately HK\$6,283,548 upon completion of Corporate Reorganization.

## RISK FACTORS

Set out below are the risk factors which may be associated with the Disposal.

### Significant capital investment

As the Target Group's business may require significant capital investment in its current development and future operation, the capital expenditure may exceed the initial estimation and budgets and may not achieve the intended economic results or commercial viability.

### Adverse impacts on the Target Group due to global economic instability

With the recent downturn of the PRC economy and the international financial turmoil, which the Target Group's operation is highly correlated to, the business and financial position of the Target Group may be adversely affected.

## **Assumptions, factors and bases of the valuation report may not be realized**

The valuation report on the Target Company was compiled by the independent valuer based on certain assumptions, factors and bases estimated by the management of the Company, management of the Target Group and/or their representatives. The said assumptions, factors and bases may not be realized and may affect the evaluation significantly.

## **Uncertainties with respect to interpretation and enforcement of the PRC laws, regulations and policies**

The principal business operations of the Target Group are in the PRC and are subject to the local laws, regulations and policies. As the PRC legal system continues to evolve, the interpretations and applicability of the relevant laws, regulations and rules may not be always uniform, which may limit the legal protection available to the Target Group. Such uncertainties, including the enforceability of contracts, together with any potential evolution of the relevant laws, regulations and policies that are unfavourable to the Target Group, could potentially have material adverse effect on the Group's business and operations.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios calculated in accordance with Chapter 14 of the Listing Rules in relation to the Disposal exceeds 5% but less than 25%, the Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is therefore subject to the reporting and announcement requirements but exempt from the shareholders' approval requirement under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Purchaser is an Independent Third Party to the Company. The Purchaser was the former business development manager of the Company from 1 June 2016 to 30 September 2016.

## **WARNING NOTICE**

**Completion of the Disposal is subject to, among other things, fulfillment of the conditions precedent of the Sale and Purchase Agreement as set out in the subsection headed "Conditions Precedent of the Sale and Purchase Agreement". As the Disposal may or may not proceed, Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.**

## 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
“business day”	any day (other than a Saturday or Sunday or public holiday) on which licensed banks in Hong Kong are generally open for business throughout their normal business hours
“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 Disposal in accordance with the terms and conditions precedent of the Sale and Purchase Agreement
“Completion Date”	the date of Completion, which is within 3 business days after all the conditions precedent of the Sale and Purchase Agreement have been fulfilled or waived or such other date as may be agreed by the Parties
“Consideration”	the consideration in relation to the Disposal, the details of which are set out in the subsection headed “Consideration and Manner of Payment” in this announcement
“Connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Corporate Reorganization”	the corporate reorganization to be undergone by the Target Group prior to Completion pursuant to the Sale and Purchase Agreement, under which the Target Company indirectly owns the entire equity interest of 珠海御藥堂保健品有限公司 and 御藥堂保健品(上海)有限公司, and ceases to hold any interest in Venture Tycoon Limited and 御藥堂(中國)保健品有限公司

“Directors”	directors of the Company
“Disposal”	the disposal of the Sale Shares and the Sale Loan pursuant to the terms and conditions of the Sale and Purchase Agreement
“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 PRC
“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 December 2016, or any other date as the Company and the Purchaser may agree in writing for fulfillment of the Conditions Precedent
“Parties”	the Purchaser and the Vendor
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes Taiwan, Hong Kong and the Macau Special Administrative Region of the PRC
“Purchaser”	Ms. Li Yung
“Sale and Purchase Agreement”	the agreement dated 22 November 2016 entered into between the Purchaser and the Company in respect of the Disposal
“Sale Loan”	HK\$1,200,000, being 40% (on a pro rata basis) of the outstanding amount of loan due from Royal Medic (China) Limited, a direct wholly-owned subsidiary of the Target Company to the Vendor immediately before Completion

“Sale Shares”	an aggregate of 40 shares of the Target Company legally and beneficially owned by the Company, representing 40% of the issued share capital of the Target Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Apex Prospection Limited, a company incorporated in the British Virgin Islands with limited liability and is an indirect wholly-owned subsidiary of the Company
“Target Group”	the Target Company and its subsidiaries
“Vendor”	Wisdom Come Medical Group Limited, a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of the Company
“WFOE”	Wholly Foreign-Owned Enterprise
“%”	per cent

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

Hong Kong, 22 November 2016

*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, Mr. CHENG Kwok Kin, Paul, Ms. Szeto Wai Ling, Virginia and Mr. Leung Winson Kwan Yau.*