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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)

**MEMORANDUM OF UNDERSTANDING
CONCERNING A POSSIBLE ACQUISITION**

Financial Advisor to the Company



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

THE MOU

On 22 November 2016 (after trading hours), the Purchaser and the Vendor entered into the MOU in relation to the Possible Acquisition.

The MOU is non-legally binding save for the provisions relating to, among other things, the refund of the Refundable Earnest Money, the Exclusivity Period, confidentiality and the governing law of the MOU.

GENERAL

This announcement is made by the Company pursuant to Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and Rule 13.09 of the Listing Rules. Pursuant to Chapter 14 of the Listing Rules, further announcement will be made once the Formal Agreement is executed.

The Possible Acquisition, if it materialises, may constitute a notifiable transaction for the Company under the Listing Rules. Should the Company enter into the Formal Agreement or decide to terminate the MOU or if there are any material developments with respect to the Possible Acquisition, the Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate.

WARNING NOTICE

The Possible Acquisition is subject to, among others, further negotiation concerning the entering into of the Formal Agreement and the fulfillment of the relevant conditions precedent of the MOU. At present stage, the terms and conditions of the Formal Agreement are yet to be finalized and agreed between the Purchaser and the Vendor. As such, the Possible Acquisition may or may not proceed. Further announcement(s) in respect of the Possible Acquisition will be made by the Company in the event that any Formal Agreement has been entered into.

This announcement is made by the Company pursuant to Part XIVA of the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong and Rule 13.09 of the Listing Rules.

THE POSSIBLE ACQUISITION

On 22 November 2016 (after trading hours), the Purchaser entered into the MOU with the Vendor in relation to the Possible Acquisition.

The Possible Acquisition is subject to further negotiation and the entering into of the Formal Agreement.

THE MOU

The terms of the MOU are as follows:

Date	22 November 2016
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 is an Independent Third Party.

Assets to be acquired

Pursuant to the MOU, the Purchaser proposed to purchase and the Vendor proposed to sell the Sale Shares subject to further negotiation and the entering into of the Formal Agreement.

Consideration

The Purchaser and the Vendor shall negotiate with one another on the amount and payment terms of the consideration for the sale and purchase of the Sale Shares, which will be stated in the Formal Agreement.

Refundable Earnest Money

Pursuant to the MOU, the Purchaser shall deposit the Refundable Earnest Money of HK\$5,000,000 into an escrow account with an escrow agent within 14 days upon the signing of the MOU.

In case a Formal Agreement for the Possible Acquisition is entered into between the Purchaser and the Vendor to the MOU, the Refundable Earnest Money shall be applied as a deposit to settle part of the consideration for the Possible Acquisition in accordance with the terms and conditions of the Formal Agreement.

Upon the expiry or termination of the MOU, the escrow agent shall return the Refundable Earnest Money within 7 days from the Purchaser's written return notice.

Due Diligence

Upon signing of the MOU, the Vendor shall provide full support to the due diligence exercise ("**Due Diligence Exercise**") to be conducted by the Purchaser including access to information and documentation within 28 days. The Due Diligence Exercise shall include the businesses, assets, liabilities, operations, financial, legal or other status of the Target Group which the Purchaser thinks necessary and appropriate to conduct, including but not limited to the preparation of the following documents:

- (i) valuation report by an independent valuer; and
- (ii) PRC legal opinion prepared by a relevant PRC lawyer which shall include but not limited to the findings of the due diligence of the Target Group in relation to the Possible Acquisition.

Conditions Precedent

The MOU shall be conditional upon the fulfillment of all the following conditions precedent:

- (i) no takeover implication or obligation having been triggered under the Takeovers Code;
- (ii) no “reverse takeover” (as defined under the Listing Rules) having been triggered or ruled by the Listing Committee/Division of the Stock Exchange;
- (iii) compliance of all applicable disclosure and/or shareholders’ approval requirements by the Company in accordance with Listing Rules (if applicable);
- (iv) the Board of the Company having approved and authorised the MOU and the transactions contemplated thereunder;
- (v) the board of directors of the Vendor having approved and authorised the MOU and the transactions contemplated thereunder;
- (vi) the Stock Exchange having granted or agreeing to grant all relevant consent, approval and permission in relation to the Possible Acquisition (if applicable);
- (vii) the SFC having granted or agreeing to grant all relevant consent, approval and permission in relation to the Possible Acquisition (if applicable);
- (viii) the Purchaser being satisfied with the results of the due diligence exercise on each member of the Target Group, Send Free and Jiangmen Huacheng, including but not limited to their respective businesses, assets, liabilities, operations, financial, legal or other status which the Purchaser thinks necessary and appropriate to conduct (if applicable);
- (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 Target Group for the consummation of the transactions contemplated herein having been obtained (if applicable).

Exclusivity

The Vendor agreed with the Purchaser that within a period of 1 month from the date of signing of the MOU, the Vendor shall not, initiate, assist, solicit, negotiate, encourage or accept any offer or inquiry from any person (other than as contemplated in the MOU) to purchase any interest in the Target Company, the Target Group and their respective underlying assets. The parties to the MOU may mutually agree in writing to extend the Exclusivity Period.

Non-legally Binding Nature

The MOU is non-legally binding save for the provisions relating to, among other things, terms relating to the refund of the Refundable Earnest Money, the Exclusivity Period, confidentiality and the governing law of the MOU.

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

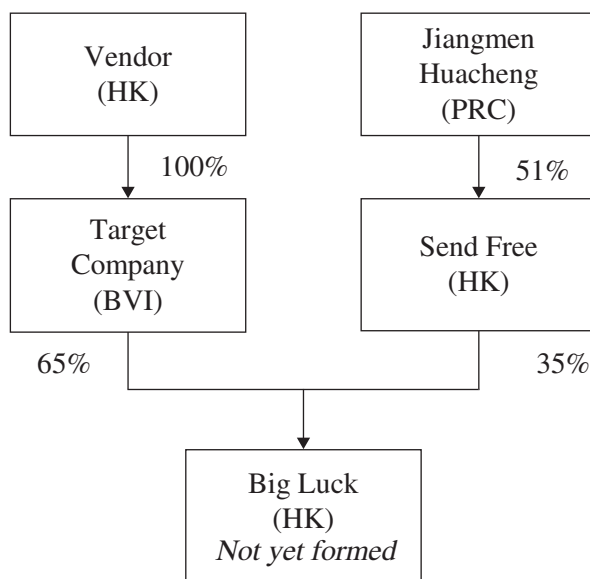
Saffron Production Company Limited is a company incorporated in Hong Kong with limited liability and holds 100% equity interest in the Target Company.

To the best of the Director's knowledge, information and belief, and having made all reasonable enquiries, the Vendor is an Independent Third Party.

INFORMATION OF THE TARGET GROUP

Proposed shareholding structure of the Target Group

The relevant proposed shareholding structure of the Target Group is shown as follows:



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.

The Target Company, through its subsidiary, is expected to hold certain exclusive rights to deal with the Web Portal as the exclusive and sole advertising agency in Hong Kong, and the exclusive operating rights of a Hong Kong station of the Web Portal from the period of 1 November 2016 to 31 December 2019, as further detailed in the below sub-section headed **“Exclusive advertising agent for a reputable PRC Web Portal and operating agent for the Hong Kong station of the Web Portal”**.

To the best of the Director’s knowledge, information and belief, and having made all reasonable enquiries, the Target Company is an Independent Third Party.

Information of Jiangmen Huacheng, Send Free and Big Luck

Send Free Technology Limited (“**Send Free**”) is a company incorporated in Hong Kong with limited liability. Jiangmen Huacheng Information Technology Co., Limited* (江門市華城信息科技有限公司) (“**Jiangmen Huacheng**”) is a company incorporated in the PRC with limited liability. Upon completion of certain corporate reorganization, Jiangmen Huacheng shall hold 51% of the equity interest in Send Free.

Pursuant to a shareholders’ agreement between the Target Company and Send Free dated 15 November 2016, Big Luck Limited (“**Big Luck**”) is proposed to be formed and incorporated in Hong Kong with limited liability. Big Luck shall be owned as to 65% by the Target Company and as to 35% by Send Free.

Jiangmen Huacheng, Send Free and Big Luck shall be principally engaged in the online advertising agency business respectively.

To the best of the Director’s knowledge, information and belief, and having made all reasonable enquiries, Jiangmen Huacheng, Send Free and Big Luck are Independent Third Parties respectively.

Exclusive advertising agent for a reputable PRC Web Portal and operating agent for the Hong Kong station of the Web Portal

According to the representations by the Vendor, Jiangmen Huacheng has entered into an advertising agency agreement with a certain online information platform company (“**Company A**”), which operates a reputable PRC web portal (“**Web Portal**”), for, among other things, (i) the exclusive rights to deal with the Web Portal as the exclusive and sole advertising agency in Hong Kong, and (ii) the exclusive operating rights of the Hong Kong station of the Web Portal from the period of 15 October 2016 to 31 December 2019 (“**Rights**”).

The Target Company, Company A, Jiangmen Huacheng, Send Free, and Big Luck propose to execute the relevant agreement(s), whereby (i) the Rights would be delegated and/or assigned to Big Luck in full from Jiangmen Huacheng from the period of 1 November 2016 to 31 December 2019, and (ii) it is proposed Big Luck to act as agent of the Web Portal for all advertising business in Hong Kong and to develop and operate the Hong Kong station of the Web Portal.

Business Model and Plan of Big Luck

According to the representations by the Vendor, Big Luck shall be principally engaged in the business as (i) exclusive and sole advertising agency in Hong Kong to deal with the Web Portal, and (ii) the exclusive operating agent of the Hong Kong station of the Web Portal from the period of 1 November 2016 to 31 December 2019.

According to the representations by the Vendor, the Hong Kong station of the Web Portal is expected to act as an online information platform regarding Hong Kong on entertainment, food, travel, sports and other information segments for PRC and Hong Kong internet users. The Web Portal shall act as a gateway to connect and direct PRC internet users to the Hong Kong station of the Web Portal.

Under the Rights, Big Luck is expected to generate income mainly through (i) exclusive online advertising sales from Hong Kong customers on the Hong Kong station of the Web Portal, and (ii) exclusive online advertising sales on the Web Portal from Hong Kong customers.

REASONS AND BENEFITS FOR ENTERING INTO THE MOU

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 entry into the Possible Acquisition contemplated under the MOU represents an opportunity to partner with and access to a reputable PRC Web Portal to expand the sales and advertising channels for the Company's products which is in line with the above said business plans.

Further, the Possible 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 MOU and the Possible Acquisition are fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

RISK FACTORS

(I) Potential issue with Big Luck obtaining and renewing the Rights

The Target Company, through its subsidiary, is required to obtain the Rights to conduct its main business. As the delegation and/or assignment of the Rights from Jiangmen Huacheng is subject to the approval by both Jiangmen Huacheng and Company A, Big Luck may not be able to obtain the Rights as may give rise to a material adverse impact on the Target Group's business operations and financial position.

Further, Jiangmen Huacheng currently holds the Rights from the period of 15 October 2016 to 31 December 2019. Therefore, 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.

(II) 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.

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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 Island
“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)
“Director(s)”	director(s) of the Company
“Exclusivity Period”	during the 1 month period commencing on the date of the MOU
“Formal Agreement”	the formal agreement to be entered into between the Purchaser and the Vendor in relation to the Possible Acquisition
“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
“MOU”	the memorandum of understanding dated 22 November 2016 entered into between the Purchaser and Vendor in relation to Possible Acquisition
“PRC”	the People’s Republic of China
“Purchaser”	the Company
“Possible Acquisition”	the possible acquisition of the Sale Shares by the Purchaser from the Vendor as contemplated under the MOU
“Refundable Earnest Money”	a refundable earnest money in the sum of HK\$5,000,000 to be deposited into the escrow account of the escrow agent pursuant to the terms and conditions of the MOU
“Sale Shares”	the shares representing the entire issued share capital of the Target Company
“SFC”	The Securities and Futures Commission of Hong Kong
“Shareholder(s)”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Takeovers Codes”	The Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC
“Target Company”	Star Root Limited, a company incorporated in the BVI with limited liability
“Target Group”	the Target Company and its subsidiaries

“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, 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.

* *For identification purpose only*