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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: 8185)

INTERIM RESULT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of RM Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board of Directors (the “Board”) is pleased to present the unaudited results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 September 2013, together with the comparative unaudited figures for the corresponding period in 2012 as follows:

CONDENSED INTERIM CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

		For the six months ended	
		30 September	
	<i>Note</i>	2013	2012
		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
TURNOVER	4	74,177	73,729
Cost of sales		<u>(17,581)</u>	<u>(17,490)</u>
GROSS PROFIT		56,596	56,239
Other revenue and other net income		2,203	64
Selling and distribution expenses		(21,767)	(17,559)
Administrative expenses		(31,029)	(22,437)
PROFIT FROM OPERATIONS		6,003	16,307
Finance costs	5(c)	<u>(49)</u>	<u>(58)</u>
PROFIT BEFORE TAXATION	5	5,954	16,249
Taxation	6	<u>(1,750)</u>	<u>(3,235)</u>
PROFIT FOR THE PERIOD			
ATTRIBUTABLE TO OWNERS			
OF THE COMPANY		4,204	13,014
OTHER COMPREHENSIVE LOSS			
FOR THE PERIOD			
Items that may be reclassified to profit or loss:			
Exchange differences arising on translation of foreign operation		<u>(9)</u>	<u>–</u>
TOTAL COMPREHENSIVE INCOME			
FOR THE PERIOD ATTRIBUTABLE TO			
OWNERS OF THE COMPANY		<u>4,195</u>	<u>13,014</u>
Earnings per share			
Basic and diluted (HK cents per share)	8	<u>1.1</u>	<u>3.4</u>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2013

	<i>Note</i>	As at 30 September 2013 HK\$'000 (unaudited)	As at 31 March 2013 HK\$'000 (audited)
Non-current assets			
Property, plant and equipment	9	16,346	16,868
Intangible assets	10	800	–
		17,146	16,868
Current assets			
Inventories		14,806	12,765
Trade and other receivables	11	30,592	32,572
Pledged bank deposit		–	5,000
Cash and cash equivalents		3,295	15,708
Tax recoverable		665	16
		49,358	66,061
Current liabilities			
Trade and other payables	12	19,520	13,202
Obligations under finance lease		–	47
Secured bank loans	13	3,221	3,491
Amounts due to related parties	14	–	26,529
Provisions		946	1,038
		23,687	44,307
Net current assets		25,671	21,754
Total assets less current liabilities		42,817	38,622
Non-current liabilities			
Deferred tax liabilities		71	71
		71	71
Net assets		42,746	38,551
EQUITY			
Equity attributable to owners of the Company			
Share capital	15	10	–
Reserves		42,736	38,551
TOTAL EQUITY		42,746	38,551

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	
At 1 April 2013 (audited)	-	-	-	38,551	38,551
Profit for the period	-	-	-	4,204	4,204
Other comprehensive loss:					
Exchange differences arising on translation of foreign operation	-	-	(9)	-	(9)
Total comprehensive income for the period	-	-	(9)	4,204	4,195
Elimination of share capital pursuant to the Reorganisation	-	-	-	-	-
Issue of ordinary shares pursuant to the Reorganisation	10	(10)	-	-	-
Credit the 10 shares in issue as fully paid pursuant to the Reorganisation	-	-	-	-	-
At 30 September 2013 (unaudited)	10	(10)	(9)	42,755	42,746

	Attributable to owners of the Company				Total HK\$'000
	Share capital HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Retained earnings HK\$'000	
At 1 April 2012 (audited)	-	-	-	39,287	39,287
Profit and total comprehensive income for the period	-	-	-	13,014	13,014
Dividends (note 7)	-	-	-	(20,000)	(20,000)
At 30 September 2012 (unaudited)	-	-	-	32,301	32,301

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

	For the six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash generated from/(used in) operating activities	10,596	(1,701)
Net cash generated from/(used in) investing activities	3,895	(7,032)
Net cash used in financing activities	(26,895)	(2,771)
Net decrease in cash and cash equivalents	(12,404)	(11,504)
Cash and cash equivalents at beginning of the period	15,708	34,812
Effect of foreign exchange rate changes	(9)	–
Cash and cash equivalents at end of period	<u>3,295</u>	<u>23,308</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2013

1. CORPORATE INFORMATION AND REORGANISATION

(a) Corporate Information

RM Group Holdings Limited (the “Company”) was incorporated and domiciled in the Cayman Islands under the Companies Law, Cap. 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands as an exempted company with limited liability on 5 December 2011. The address of its registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company has established a principal place of business in Hong Kong at 21/F., Man Shing Industrial Building, 307-311 Castle Peak Road, Kwai Chung, Hong Kong and has been registered as a non-Hong Kong company under Part XI of the Hong Kong Companies Ordinance on 5 April 2012. The Company’s issued shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 11 October 2013.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the sale, marketing and distribution of health and beauty supplements and products in Hong Kong and Taiwan. The Group’s products are sold and distributed under its proprietary brand names of the companies within the Group and the private label brands are specifically developed for and owned by a renowned chain of health and beauty products in Hong Kong and Macau (the “Distribution Facilitator”).

The condensed interim consolidated financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The condensed interim consolidated financial information has not been audited.

(b) Reorganisation

Pursuant to a reorganisation (the “Reorganisation”) of the Company and its subsidiaries now comprising the Group completed on 23 September 2013 to rationalise the Group’s structure in preparation for the listing of the shares of the Company on the GEM of the Stock Exchange, the Company became the holding company of the Group. Details of the Reorganisation are set out in the prospectus of the Company dated 30 September 2013 (the “Prospectus”).

The Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the combined statement of profit or loss and other comprehensive income, combined statement of changes in equity and combined statement of cash flows for the period ended 30 September 2012 and the combined statement of financial position as at 31 March 2013 have been prepared on the basis as if the Company had always been the holding company of the companies now comprising the Group throughout the period/year. The consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger accounting for common control combination” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as if the group structure under the Reorganisation had been in existence throughout the period/year or since their respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

2. BASIS OF PREPARATION

The condensed interim consolidated financial information has been prepared in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by HKICPA as well as with the applicable disclosure requirements of Chapter 18 to the Rules Governing the Listing of Securities on the GEM of the Stock Exchange. The unaudited condensed interim financial information should be read in conjunction with the accountants’ report for the year ended 31 March 2013 included in the Prospectus, which have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed interim consolidated financial information has been prepared on the historical cost basis.

Except as described below, the accounting policies are consistent with those of the accountants’ report for the year ended 31 March 2013 included in Appendix I of the Prospectus.

In the current interim period, the Group has applied, for the first time, the following new and revised HKFRSs, Hong Kong Accounting Standards (“HKASs”), amendments and interpretation (“INT”) (hereinafter collectively referred to as “new and revised HKFRSs”) issued by the HKICPA which are effective for the Group’s financial year beginning on 1 April 2013.

Amendments to HKFRSs	Annual improvements to HKFRSs 2009–2011 cycle
Amendments to HKFRS 1	Government loans
Amendments to HKFRS 7	Disclosures — Offsetting financial assets and financial liabilities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated financial statements, joint arrangements and disclosure of interests in other entities: Transition guidance
HKFRS 10	Consolidated financial statements
HKFRS 11	Joint arrangements
HKFRS 12	Disclosure of interests in other entities
HKFRS 13	Fair value measurement
Amendments to HKAS 1	Presentation of items of other comprehensive income
HKAS 19 (as revised in 2011)	Employee benefits
HKAS 27 (as revised in 2011)	Separate financial statements
HKAS 28 (as revised in 2011)	Investments in associates and joint ventures
HK(IFRIC) — INT 20	Stripping costs in the production phase of a surface mine

Amendments to HKAS 1 “Presentation of items of other comprehensive income”

The amendments to HKAS 1 introduce new terminology for statement of comprehensive income and income statement. Under the amendments to HKAS 1, a statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and an income statement is renamed as a statement of profit or loss. The amendments to HKAS 1 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to HKAS 1 require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (a) items that will not be reclassified subsequently to profit or loss; and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis — the amendment do not change the existing option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

HKFRS 10 “Consolidated financial statements”

HKFRS 10 replaces the requirements in HKAS 27, *Consolidated and separate financial statements* relating to the preparation of consolidated financial statements and HK-SIC 12 *Consolidation — Special purpose entities*. It introduces a single control model to determine whether an investee should be consolidated, by focusing on whether the entity has power over the investee, exposure or rights to variable returns from its involvement with the investee and the ability to use its power to affect the amount of those returns.

As a result of the adoption of HKFRS 10, the Group has changed its accounting policy with respect to determining whether it has control over an investee. The adoption does not change any of the control conclusions reached by the Group in respect of its involvement with other entities as at 1 April 2013.

HKFRS 13 “Fair value measurement”

The Group has applied HKFRS 13 for the first time in the current interim period. HKFRS 13 establishes a single source of guidance for, and disclosures about, fair value measurements, and replaces those requirements previously included in various HKFRSs. Consequential amendments have been made to HKAS 34 to require certain disclosures to be made in the condensed interim consolidated financial information.

The scope of HKFRS 13 is broad, and applies to both financial instrument items and non-financial instrument items for which other HKFRSs require or permit fair value measurements and disclosures about fair value measurements, subject to a few exceptions. HKFRS 13 contains a new definition for fair value and defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions. Fair value under HKFRS 13 is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Also, HKFRS 13 includes extensive disclosure requirements.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed interim consolidated financial information approximate their fair values. As a result, there is no further disclosure in the condensed interim consolidated financial information.

Amendments to HKAS 34 “Interim financial reporting” (as part of the Annual improvements to HKFRSs 2009–2011 cycle)

The Group has applied the amendments to HKAS 34 for the first time in the current interim period. The amendments to HKAS 34 clarify that the total assets and total liabilities for a particular reportable segment would be separately disclosed in the condensed interim consolidated financial information only when the amounts are regularly provided to the chief operating decision maker (the “CODM”) and there has been a material change from the amounts disclosed in the last annual financial statements for that reportable segment.

Since the CODM does not review assets and liabilities of the Group’s reportable segments for performance assessment and resources allocation purposes, the Group has not included total assets information as part of segment information.

The application of other new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in these condensed interim consolidated financial information and/or disclosures set out in these condensed interim consolidated financial information.

4. TURNOVER

The Group is principally engaged in the sale, marketing and distribution of health and beauty supplements and products mainly in Hong Kong. The products are sold and distributed under the proprietary brand names of the companies within the Group and the private label brands specifically designated for the Distribution Facilitator.

Turnover represents the invoiced value of sales of health and beauty supplements and products, less sales returns and discounts for the period. An analysis of turnover is as follows:

	For the six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Health supplements	51,651	46,151
Beauty supplements and products	22,135	27,212
Others	391	366
	<u>74,177</u>	<u>73,729</u>

5. PROFIT BEFORE TAXATION

Profit before taxation is stated after charging/(crediting) the following:

	For the six months ended 30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
(a) Staff costs:		
Salaries, allowances, and other benefits (including directors' remuneration)	20,691	17,424
Mandatory provident fund contribution	746	653
	<u>21,437</u>	<u>18,077</u>
(b) Other items:		
Auditors' remuneration	188	–
Cost of inventories (<i>note i</i>)	17,581	17,490
Depreciation on property, plant and equipment	828	656
Provision for goods returns	361	1,038
Exchange loss/(gain), net	57	(15)
Operating lease charges	197	71
Net gain on disposal of subsidiaries	(2,118)	–
Research and development cost	370	369
	<u>17,156</u>	<u>19,509</u>
(c) Finance costs:		
Bank overdraft interest	1	–
Finance charge on obligations under finance lease	1	4
Interest on bank advances not wholly repayable within five years	47	54
	<u>49</u>	<u>58</u>

The analysis shows the finance costs of bank loans, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayment dates set out in the loan agreements. The interest on bank loans which contain a repayment on demand clause amounted to HK\$47,000 and HK\$54,000 for the period ended 30 September 2013 and 2012, respectively.

Note:

- i. Cost of inventories includes HK\$2,181,000 and HK\$2,778,000 for the period ended 30 September 2013 and 2012, respectively relating to staff cost, depreciation and provision for goods return, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

6. TAXATION

	For the six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax — Hong Kong profits tax		
Provision for the period	<u>1,750</u>	<u>3,235</u>

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for the periods ended 30 September 2013 and 2012.

No provision for profits tax in the Cayman Islands, the British Virgin Island (“BVI”) and Taiwan have been made as the Group has no income assessable for tax in these jurisdictions during the periods.

7. DIVIDENDS

	For the six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Final dividends declared by Wisdom Come Medical Group Limited in respect of the year ended 31 March 2012	<u>–</u>	<u>20,000</u>

The dividends represented those declared by the Company’s subsidiary, Wisdom Come Medical Group Limited, to its shareholder prior to the Reorganisation. The rate of dividends and the number of shares ranking for dividends are not presented as such information is not meaningful with regards to the purpose of this announcement.

The board of directors does not recommend any payment of dividends for the period ended 30 September 2013.

8. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on the consolidated profit for the period attributable to owners of the Company and on 385,400,000 ordinary shares in issue during the period which is calculated on the assumption that the Reorganisation has been effective on 1 April 2012, and has been adjusted to reflect the capitalisation issue as stated in the Prospectus of 384,400,000 ordinary shares of HK\$0.1 each of the Company at par on 11 October 2013.

Diluted earnings per share equals to basic earnings per share as there are no potential ordinary shares in issue during the periods.

9. PROPERTY, PLANT AND EQUIPMENT

	As at 30 September 2013 HK\$'000 (unaudited)	As at 31 March 2013 HK\$'000 (audited)
Carrying amount at 1 April	16,868	16,303
Additions during the period/year	306	2,886
Depreciation provided during the period/year	(828)	(1,467)
Disposals during the period/year	–	(919)
Written back on disposal during the period/year	–	65
	<hr/>	<hr/>
Carrying amount at 30 September/31 March	<u>16,346</u>	<u>16,868</u>

The leasehold land and buildings held for own use are located in Hong Kong under medium term lease.

The Group's interest-bearing bank loans were secured by the Group's leasehold land and buildings held for own use with carrying amount of HK\$6,215,000 and HK\$6,307,000 as at 30 September 2013 and 31 March 2013, respectively.

10. INTANGIBLE ASSETS

During the period ended 30 September 2013, the Group incurred the cost of approximately HK\$800,000 (year ended 31 March 2013: Nil) which represented the capitalised cost in respect of the product development rights acquired.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2013 <i>HK\$'000</i> (unaudited)	As at 31 March 2013 <i>HK\$'000</i> (audited)
Trade receivables	19,006	24,090
Less: Allowance for doubtful debts	—	—
	<u>19,006</u>	<u>24,090</u>
Other receivables	992	112
	<u>19,998</u>	<u>24,202</u>
Loans and receivables	1,091	812
Prepayments	9,503	7,558
Deposits	10,594	8,370
	<u>30,592</u>	<u>32,572</u>

Including in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis presented based on invoice date as at the end of the reporting period:

	As at 30 September 2013 <i>HK\$'000</i> (unaudited)	As at 31 March 2013 <i>HK\$'000</i> (audited)
0–30 days	7,930	21,202
31–60 days	10,751	2,413
61–90 days	117	111
91–180 days	99	290
181–365 days	36	57
Over 1 year	73	17
	<u>19,006</u>	<u>24,090</u>

12. TRADE AND OTHER PAYABLES

	As at 30 September 2013 <i>HK\$'000</i> (unaudited)	As at 31 March 2013 <i>HK\$'000</i> (audited)
Trade payables	4,304	3,013
Salary and welfare payables	3,450	3,317
Accrued advertising expenses	9,008	4,346
Other payables and accruals	2,758	2,526
	<u>19,520</u>	<u>13,202</u>

The following is an ageing analysis of trade payables presented based on invoice dates as at the end of the reporting period:

	As at 30 September 2013 <i>HK\$'000</i> (unaudited)	As at 31 March 2013 <i>HK\$'000</i> (audited)
0–30 days	1,536	688
31–60 days	1,554	497
61–90 days	463	259
91–180 days	470	278
181–365 days	–	15
Over 1 year	281	1,276
	<u>4,304</u>	<u>3,013</u>

13. SECURED BANK LOANS

The analysis of the carrying amount of secured bank loans is as follows:

	As at 30 September 2013 <i>HK\$'000</i> (unaudited)	As at 31 March 2013 <i>HK\$'000</i> (audited)
Carrying amount of bank loans that contain a repayment on demand clause:		
Repayable within one year	551	544
Repayable after one year (shown under current liabilities)	2,670	2,947
	<u>3,221</u>	<u>3,491</u>

The secured bank loans of the Group are secured by the leasehold land and buildings with carrying amount of HK\$6,215,000 and HK\$6,307,000 as at 30 September 2013 and 31 March 2013, respectively.

14. AMOUNTS DUE TO RELATED PARTIES

The amounts due to related parties were unsecured, interest-free and repayable on demand. The amounts were fully repaid during the current interim period.

15. SHARE CAPITAL

Unaudited	Note	Number of ordinary shares of HK\$0.1 per share	Number of ordinary shares of HK\$0.01 per share	Nominal value ordinary shares HK\$
Authorised:				
At 1 April 2013	(a)	3,800,000	–	380,000.00
Share subdivision	(b)	(3,800,000)	38,000,000	–
Increase in authorised share capital	(c)	–	962,000,000	9,620,000.00
		<u>–</u>	<u>1,000,000,000</u>	<u>10,000,000.00</u>
At 30 September 2013		<u>–</u>	<u>1,000,000,000</u>	<u>10,000,000.00</u>
Issued and fully paid:				
At 1 April 2013	(a)	1	–	–
Share subdivision	(b)	(1)	10	–
Issue of ordinary shares pursuant to the Reorganisation	(d)	–	999,990	9,999.90
Credit the 10 shares in issue as fully paid pursuant to the Reorganisation	(d)	–	–	0.10
		<u>–</u>	<u>1,000,000</u>	<u>10,000.00</u>
At 30 September 2013		<u>–</u>	<u>1,000,000</u>	<u>10,000.00</u>

Notes:

- (a) The Company was incorporated in the Cayman Islands on 5 December 2011. As at the date of incorporation, the Company has an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each, one share of which was allotted and issued nil paid to the subscriber to the Company. On 5 December 2011, the one share held by the subscriber was transferred to Able Island Group Limited (“Able Island”).
- (b) Pursuant to the written resolutions of the sole shareholder dated 16 September 2013, the share capital of the Company was subdivided in such manner that every existing share of HK\$0.1 was subdivided into ten shares of HK\$0.01 each so that the authorized share capital of the Company is HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (c) Pursuant to the written resolutions of the sole shareholder passed on 24 September 2013, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each by the creation of a further 962,000,000 shares ranking pari passu with the existing shares in all respects.
- (d) Pursuant to a sale and purchase agreement dated 23 September 2013 entered into between the Company as purchaser and Able Island as vendor, the Company acquired from Able Island 11 shares of Noble State Holdings Limited (“Noble State”), representing the entire issued share capital of Noble State, at a consideration of HK\$38,551,000 on 23 September 2013, which was fully satisfied by (A) the Company allotting and issuing 999,990 shares credited as fully paid up to Able Island; and (B) the Company crediting as fully paid at par the ten nil paid shares held by Able Island.

16. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. Information reported to the board of directors, being the CODM, for the purposes of resource allocation and assessment of segment performance focuses on brands of goods delivered.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

- Proprietary brands comprise the development, manufacturing and sales of self-developed health supplements
- Proprietary brands comprise the development, manufacturing and sales of self-developed beauty supplements and products
- Private label brands comprise the development, manufacturing and sales of health supplements
- Private label brands comprise the development, manufacturing and sales of beauty supplements and products

Other items mainly relate to the provision of Chinese medical consultation services. These activities are excluded from the reportable operating segments as these activities are insignificant and not specifically reported to the board of directors.

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the board of directors for the purpose of resource allocation and assessment of segment performance for the six-month period ended 30 September 2012 and 2013 are set out below:

	For the six months ended 30 September 2013 (unaudited)					Total HK\$'000
	Proprietary brands		Private label brands		Other items HK\$'000	
	Health supplements HK\$'000	Beauty supplements and products HK\$'000	Health supplements HK\$'000	Beauty supplements and products HK\$'000		
Revenue from external customers	40,907	15,896	10,744	6,239	391	74,177
Cost of sales	(8,876)	(5,299)	(1,678)	(1,677)	(51)	(17,581)
Gross profit	32,031	10,597	9,066	4,562	340	56,596
Selling and distribution expenses	(13,395)	(5,116)	(1,535)	(1,678)	–	(21,724)
Administrative expenses	(2,975)	(255)	(3,515)	(485)	–	(7,230)
Segment results	<u>15,661</u>	<u>5,226</u>	<u>4,016</u>	<u>2,399</u>	<u>340</u>	27,642
Other revenue and other net income						2,203
Unallocated head office and corporate expenses						(23,842)
Finance costs						(49)
Profit before tax						<u>5,954</u>

For the six months ended 30 September 2012 (unaudited)						
	Proprietary brands		Private label brands			Total HK\$'000
	Health supplements HK\$'000	Beauty supplements and products HK\$'000	Health supplements HK\$'000	Beauty supplements and products HK\$'000	Other items HK\$'000	
Revenue from external customers	39,765	15,444	6,386	11,768	366	73,729
Cost of sales	(9,750)	(4,035)	(956)	(2,606)	(143)	(17,490)
Gross profit	30,015	11,409	5,430	9,162	223	56,239
Selling and distribution expenses	(8,523)	(4,327)	(950)	(3,709)	–	(17,509)
Administrative expenses	(2,602)	(624)	(2,054)	(952)	–	(6,232)
Segment results	<u>18,890</u>	<u>6,458</u>	<u>2,426</u>	<u>4,501</u>	<u>223</u>	32,498
Other revenue and other net income						64
Unallocated head office and corporate expenses						(16,255)
Finance costs						(58)
Profit before tax						<u>16,249</u>

For the purpose of assessing segment performance and allocating resources between segments, the CODM monitors the results attributable to each reportable segment with reference to sales generated by those segments and the expenses incurred by those segments. Segment results are evaluated based on reportable segment profit/loss, which is a measure of adjusted operating profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit/loss before tax except that head office, corporate income and expenses and finance costs are excluded from such measurement. No segment assets and liabilities information is presented as, in the opinion of the directors, such information is not key indicator provided to the Group's CODM.

There are no significant inter-segment transfers or transactions.

Other segment information (included in the measure of segment profit or loss or regularly provided to the CODM)

	Depreciation	
	For the six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Proprietary brands		
Health supplements	125	127
Beauty supplements and products	49	50
Private label brands		
Health supplements	33	20
Beauty supplements and products	19	38
Unallocated	602	421
	828	656

(b) Geographical information

The geographical location of customers is based on the location at which the goods are delivered and services provided. In presenting information on the basis of geographical, segments revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

Revenue from external customers

	For the six months ended	
	30 September	
	2013	2012
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong	73,961	73,729
Taiwan	216	–
	74,177	73,729

Non-current assets

	As at	As at
	30 September	31 March
	2013	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Hong Kong	17,061	16,868
Taiwan	85	–
	17,146	16,868

(c) **Information about major customer**

Revenues from external customer contributing 10% or more of the total revenue from the Group is as follows:

	For the six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A (<i>note (i)</i>)	53,470	55,791

Note:

- (i) The sales were derived from the following segments:
- Proprietary brands comprise the development, manufacturing and sales of self-developed health supplements;
 - Proprietary brands comprise the development, manufacturing and sales of self-developed beauty supplements and products;
 - Private label brands comprise the development, manufacturing and sales of health supplements; and
 - Private label brands comprise the development, manufacturing and sales of beauty supplements and products.

17. OPERATING LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating lease falling due as follows:

	As at	As at
	30 September	31 March
	2013	2013
	HK\$'000	HK\$'000
	(unaudited)	(audited)
Within one year	173	189
In the second to fifth year, inclusive	66	132
	239	321

The Group leases warehouses and office premises under non-cancellable operating lease arrangements with lease terms of one to two years.

18. DISPOSAL OF SUBSIDIARIES

- (a) On 10 September 2013, the Group disposed of the entire issued share capital in Xaxon Cosmeceutical Inc. (“Xaxon”) to Chan Yan Tak, director of the Company, at a cash consideration of HK\$1 and disposed of the entire issued share capital in Royal Medic Management Limited, Sky China Enterprises Limited, Men 100 Limited and Wealth International (Holdings) Limited and its subsidiaries (altogether “Wealth International Group”) to Xaxon at a cash consideration of HK\$1 each.

The net assets of these subsidiaries at the date of disposal were as follows:

	<i>HK\$'000</i>
Consideration received:	
Cash received	–
	<u>–</u>
Analysis of assets and liabilities over which control was lost:	
Cash and cash equivalents	2
Other payables	(2,109)
	<u>(2,107)</u>
	<u>(2,107)</u>
Result on disposal of subsidiaries:	
Consideration received	–
Net liabilities derecognised	(2,107)
	<u>(2,107)</u>
Result on disposal	<u>(2,107)</u>
Net cash flow arising on disposal:	
Cash consideration received	–
Cash and cash equivalents disposed of	(2)
	<u>(2)</u>
	<u>(2)</u>

- (b) On 11 September 2013, the Group disposed of the entire issued share capital in Wise Medic Company Limited (“Wise Medic”) to Xaxon at a cash consideration of HK\$1.

The net assets of Wise Medic at the date of disposal were as follows:

	<i>HK\$'000</i>
Consideration received:	
Cash received	–
	<u>–</u>
Analysis of assets and liabilities over which control was lost:	
Other payables	(11)
	<u>(11)</u>
Result on disposal of subsidiaries:	
Consideration received	–
Net liabilities derecognised	(11)
	<u>(11)</u>
Result on disposal	(11)
	<u>(11)</u>
Net cash flow arising on disposal:	
Cash consideration received	–
Cash and cash equivalents disposed of	–
	<u>–</u>
	<u>–</u>

19. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed elsewhere in the condensed interim consolidated financial information, the Group had the following transactions with its related parties:

- (a) **Related party transactions included in the condensed interim consolidated statement of financial position**

	As at 30 September 2013 <i>HK\$'000</i> (unaudited)	As at 31 March 2013 <i>HK\$'000</i> (audited)
Amount due to ultimate holding company, Able Island		
Repaid to	26,500	13,500
Dividends	–	(40,000)
Outstanding balance	<u>–</u>	<u>(26,500)</u>
Amount due to a director, Chan Yan Tak		
Repaid to	29	5,003
Advanced from	–	(2,614)
Outstanding balance	<u>–</u>	<u>(29)</u>

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors and certain of the highest paid employees is as follows:

	For the six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Short-term employee benefits	3,762	2,543
Post-employment benefits	55	35
	<u>3,817</u>	<u>2,578</u>

(c) Guarantees provided by a director

At 30 September 2013 and 31 March 2013, certain banking facilities of the Group were secured by the guarantee in the amount of HK\$9,515,000 and HK\$9,515,000, respectively provided by a director of the Company. At 30 September 2013 and 31 March 2013, certain banking facilities of the Group were secured by the unlimited personal guarantee of a director. The guarantees provided by the directors had been released before the listing of the Company's shares on the GEM of the Stock Exchange.

(d) Guarantees provided by a fellow subsidiary

At 30 September 2013 and 31 March 2013, certain banking facilities of the Group were secured by the guarantee in the amount of HK\$1,500,000 and HK\$1,500,000, respectively provided by a fellow subsidiary of the Company. The guarantees provided by a fellow subsidiary had been released before the listing of the Company's shares on the GEM of the Stock Exchange.

20. LOANS MADE BY RELATED PARTIES UNDER A GUARANTEE GIVEN BY THE GROUP

Name of related party	Particulars of guarantees	Maximum liability under the guarantee	
		As at 30 September 2013	As at 31 March 2013
		HK\$'000 (unaudited)	HK\$'000 (audited)
Royal Trendy Limited (note i)	Guarantee given by a subsidiary to a bank in respect of loans of HK\$1,575,000 and HK\$7,000,000 expiring on 14 March 2026 and 15 June 2030	8,575	8,575
Chan Yan Tak (note ii)	Guarantee given by a subsidiary to a bank in respect of a loan of HK\$5,658,000 expiring on 25 May 2021	<u>5,658</u>	<u>5,658</u>

Notes:

- (i) Royal Trendy Limited is a company wholly owned by Tsang Pui Man, spouse of Chan Yan Tak, a director of the Company. The guarantee will expire on 14 March 2026 and 15 June 2030 in respect of the loans of HK\$1,575,000 and HK\$7,000,000 respectively when Royal Trendy Limited fully repaid the bank loans. The guarantee given to Royal Trendy Limited had been released before the listing of the Company's shares on the GEM of the Stock Exchange.
- (ii) The guarantee will expire on 25 May 2021 when Chan Yan Tak, a director of the Company, fully repaid the bank loan. The guarantee given to Chan Yan Tak had been released before the listing of the Company's shares on the GEM of the Stock Exchange.

21. EVENTS AFTER THE REPORTING PERIOD

- (a) Pursuant to the written resolution of the sole shareholder passed on 24 September 2013, conditional on the share premium account of the Company being credited as a result of the Placing as defined in the Prospectus dated 30 September 2013, upon the recommendation of the Directors, the sum of HK\$3,844,000, being part of the amount which would then be standing to the credit of the share premium account of the Company be capitalised and applied in paying up in full 384,400,000 shares to be allotted credited as fully paid at par to Able Island.
- (b) In connection with the Company's Placing, 129,600,000 shares of HK\$0.01 each were issued at a price of HK\$1.07 per share for a total cash consideration, before expenses, of approximately HK\$138,672,000. Dealings in these shares on the GEM of the Stock Exchange commenced on 11 October 2013.
- (c) The Company's shares were listed on the GEM of the Stock Exchange on 11 October 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the business of formulation, marketing, sales and distribution of health supplements and beauty supplements and products mainly in Hong Kong. The Group's products are sold under its proprietary brands and private label brands specifically developed for and owned by the Distribution Facilitator. The Group outsources most of its production to its suppliers and subcontracting manufacturers and the Group distributes its products mainly through the Distribution Facilitator. The Group also operates two Chinese medicine clinics to provide traditional Chinese medicine treatments, services and retailing of health supplements to the general public consumers.

FINANCIAL REVIEW

Revenue

The Group's revenue increased by approximately HK\$0.5 million from approximately HK\$73.7 million to HK\$74.2 million for six months ended 30 September 2013 as compared to the same period last year, which was the net effect of an increase in sales of health supplements and a decrease in sales in beauty supplements and products. The Group's revenue attributable to health supplements increased by approximately HK\$5.5 million or 11.9% from approximately HK\$46.2 million to HK\$51.7 million, while its revenue attributable to beauty supplements and products decreased by approximately HK\$5.1 million or 18.8% from approximately HK\$27.2 million to HK\$22.1 million, for six months ended 30 September 2013 as compared to the same period last year.

The Group's revenue attributable to proprietary brands health supplements increased by approximately HK\$1.1 million or 2.8% from approximately HK\$39.8 million to HK\$40.9 million for six months ended 30 September 2013 as compared to the same period last year.

Revenue attributable to proprietary brands beauty supplements and product increased by approximately HK\$0.5 million or 3.2% from approximately HK\$15.4 million to HK\$15.9 million for six months ended 30 September 2013 as compared to the same period last year.

The revenue attributable to private label brands health supplements increased by approximately HK\$4.3 million or 67.2% from approximately HK\$6.4 million to HK\$10.7 million for six months ended 30 September 2013 as compared to the same period last year. The increase in revenue attributable to private label brands was primarily due to the expansion of the product range and increase in the number of Health Proof special designated counters, which primarily sold health supplements.

The revenue attributable to private label brands beauty supplements and products decreased by approximately HK\$5.6 million or 47.5% from approximately HK\$11.8 million to HK\$6.2 million for the for six months ended 30 September 2013 as compared to the same period last year. The decrease is primarily due to the fact that the Group reallocated resources to market the Health Proof products which were primarily health supplements.

Cost of sales

The Group's cost of sales increased by HK\$0.1 million or 0.6% from approximately HK\$17.5 million to HK\$17.6 million for six months ended 30 September 2013 as compared to the same period last year. Raw material costs and packing material costs decreased by HK\$2.3 million or 13.9% from HK\$16.6 million to HK\$14.3 million for six months ended 30 September 2013 as compared to the same period last year.

Profit attributable to the owners of the Company

Profit attributable to the owners of the Company was approximately HK\$4.2 million represents a decrease of approximately 67.7% as compared with approximately HK\$13.0 million for the corresponding period in 2012.

In relations to the listing of the Company's shares on the GEM of the Stock Exchange, (i) listing expenses increased by approximately HK\$4.0 million and (ii) salary costs increased by approximately HK\$3.4 million principally due to increase in salaries and improving internal control, for the six months ended 30 September 2013 as compared with the same period in 2012. As the Company was listed in October 2013, it is expected that there will be approximately HK\$9.0 million of listing expenses to be accounted for during the third quarter this financial year. Such listing expenses are non-deductible in calculating the assessable profits. The tax effect on such listing expenses amounted to approximately HK\$2.1 million.

The Group established a wholly owned subsidiary in Taiwan in March 2013 and the Group received its first purchase order from its customer in June 2013. The Group launched its Taiwan marketing campaigns during the six months ended 30 September 2013, which partially contributed to the loss incurred by the Taiwan operations, which amounted to approximately HK\$1.1 million for the six months ended 30 September 2013 (2012: Nil).

FINANCIAL POSITION AND LIQUIDITY

As at 30 September 2013, cash and bank balances of the Group amounted to approximately HK\$3.3 million (As at 31 March 2013: HK\$15.7 million). The current ratio (current asset divided by current liabilities) of the Group was 1.5 and 2.1 times as at 31 March 2013 and 30 September 2013, respectively. The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 7.5% as at 30 September 2013 (As at 31 March 2013: approximately 9.2%). In view of the Group's current level of cash and bank balances, funds generated internally from our operations and the unutilised banking facilities available, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations. As at 30 September 2013, the Group has unutilised general banking facilities of approximately HK\$12.6 million. The Group is exposed to foreign currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they related. The currencies giving rise to this risk are primarily United States dollars, the impact of foreign exchange rate fluctuations is insignificant as the Hong Kong dollar is pegged to the United States dollar.

The shares of the Company were successfully listed on GEM of the Stock Exchange on 11 October 2013 by way of placing (the “Placing”) and the net proceeds was approximately HK\$119 million.

CAPITAL MANAGEMENT

The Group’s objectives in managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to the shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. The Group also monitors capital on the basis of the net gearing ratio. The Group’s overall strategy remains unchanged throughout the period of review.

EMPLOYEE INFORMATION

As at 30 September 2013 and 31 March 2013, the Group had 146 and 130 employees, respectively. For the six months ended 30 September 2013, staff cost including directors’ remuneration was approximately HK\$21,437,000 (2012: HK\$18,077,000).

SHARE OPTION SCHEME

Pursuant to a written resolution of the Company passed on 24 September 2013, the Company has conditionally adopted a share option scheme, which has been taken effect on 11 October 2013 (the “Share Option Scheme”). No share option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since the effective date of the Share Option Scheme and up to 30 September 2013.

OUTLOOK

The Directors believe that the successful listing of the shares of the Company on the GEM of the Stock Exchange on 11 October 2013 by way of placing could enhance the Group’s profile and the net proceeds from the placing will strengthen the Group’s financial position and enable the Group to implement its business plan. The Group intends to further strengthen the brand recognition of its products among general public consumers and to reinforce the Group’s strong market position in the health supplements and beauty supplements and its products markets in Hong Kong. The Group also aims to further expand its business operations both in Hong Kong and overseas. Details of the implementation plan were set out in the Prospectus of the Company dated 30 September 2013 under the section headed “Future Plans and Use of Proceeds”.

MATERIAL ACQUISITIONS OR DISPOSALS

There were no material acquisition and disposal of subsidiaries, associated companies and joint ventures during the period of review.

CONTINGENT LIABILITIES

As at 30 September 2013 and 31 March 2013, the Group had no material contingent liabilities.

CHARGES ON ASSETS

As at 30 September 2013 and 31 March 2013, the Group had secured bank loans of approximately HK\$3.2 million and approximately HK\$3.5 million, respectively. The banking facilities are secured by the Group's land and buildings, having carrying amount of approximately HK\$6.2 million and approximately HK\$6.3 million as at 30 September 2013 and 31 March 2013, respectively.

CAPITAL COMMITMENT

As at 30 September 2013 and 31 March 2013, the Group did not have significant capital commitment.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2013 (2012: Nil).

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the six months ended 30 September 2013 (2012: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. Throughout the six months ended 30 September 2013, the Group has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules except that:

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Yan Tak is the chairman of the Board and the chief executive officer of the Company. Mr. Chan Yan Tak has been responsible for the overall management and strategic development of the Group since 2005. His expert knowledge in the areas of development and retail marketing of health and beauty supplement products has assisted the Group to grow substantially during the past eight years. The Board therefore considers that it is beneficial to and in the interest of the Group for Mr. Chan Yan Tak to continue with his roles as the chairman of the Board and chief executive officer of the Group.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in the securities of the Company. Upon the Company's specific enquiry, each Director has confirmed that during the six months ended 30 September 2013, he or she has fully complied with the required standard of dealings and there is no event of non-compliance.

AUDIT COMMITTEE

The Audit Committee is comprised of the three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul (the Chairman), Prof. NG Ka Ming and Mr. WEI Jianan, with written terms of reference in compliance with the GEM Listing Rules. The Audit Committee has reviewed this announcement and has provided advice and comments thereon.

At the request of the Audit Committee, the Company's auditor, CCIF CPA Limited, had carried out a review of the unaudited interim financial information for the six months ended 30 September 2013 (the "2013 Interim Result") in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. The 2013 Interim Result has also been reviewed by the Audit Committee.

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

Hong Kong, 14 November 2013

As at the date of this announcement, the executive directors of the Company are Mr. CHAN Yan Tak, Mr. WONG Mau Tai and Mr. FOO Chi Ming; the non-executive director of the Company is Madam TSANG Pui Man; and the independent non-executive directors of the Company are Prof. NG Ka Ming, Mr. CHENG Kwok Kin, Paul and Mr. WEI Jianan.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the day of its posting. The announcement will also be published on the Company's website at www.royalmedic.com.