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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)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2014

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”) announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2014 and the final results were reviewed by the audit committee of the Company and agreed with the auditors.

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME**

For the year ended 31 March 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
TURNOVER	3	169,684	163,767
Cost of sales		<u>(39,692)</u>	<u>(34,757)</u>
GROSS PROFIT		129,992	129,010
Other revenue and other net income		2,710	1,337
Selling and distribution expenses		(48,435)	(38,018)
Administrative expenses		(60,982)	(44,739)
Equity-settled share-based payments		(7,364)	–
Listing expenses		(15,370)	(996)
PROFIT FROM OPERATIONS		551	46,594
Finance costs	4(c)	<u>(104)</u>	<u>(110)</u>
PROFIT BEFORE TAXATION	4	447	46,484
Taxation	5	<u>(6,180)</u>	<u>(7,220)</u>
(LOSS)/PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(5,733)	39,264
OTHER COMPREHENSIVE LOSS			
Items that may be reclassified to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>(127)</u>	–
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>(5,860)</u>	<u>39,264</u>
(LOSS)/EARNINGS PER SHARE BASIC AND DILUTED (HK CENTS)	7	<u>(1.3)</u>	<u>10.2</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	<i>Notes</i>	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	8	17,036	16,868
Intangible assets	9	743	–
		<u>17,779</u>	<u>16,868</u>
Current assets			
Inventories		17,467	12,765
Trade and other receivables	10	25,826	32,572
Pledged bank deposits		–	5,000
Cash and cash equivalents		123,299	15,708
Tax recoverable		2,218	16
		<u>168,810</u>	<u>66,061</u>
Current liabilities			
Trade and other payables	11	13,811	13,202
Obligations under finance lease		–	47
Secured bank loans	12	2,947	3,491
Amounts due to related parties	13	–	26,529
Provisions		1,334	1,038
		<u>18,092</u>	<u>44,307</u>
Net current assets		150,718	21,754
Total assets less current liabilities		168,497	38,622
Non-current liabilities			
Deferred tax liabilities		366	71
Net assets		<u>168,131</u>	<u>38,551</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	5,150	–
Reserves		162,981	38,551
TOTAL EQUITY		<u>168,131</u>	<u>38,551</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2014

	Attributable to owners of the Company						
	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Merger reserve <i>HK\$'000</i>	Translation reserve <i>HK\$'000</i>	Share option reserve <i>HK\$'000</i>	Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
At 1 April 2012	-	-	-	-	-	39,287	39,287
Profit and total comprehensive income for the year	-	-	-	-	-	39,264	39,264
Dividends (<i>note 6</i>)	-	-	-	-	-	(40,000)	(40,000)
At 31 March 2013 and 1 April 2013	-	-	-	-	-	38,551	38,551
Loss for the year	-	-	-	-	-	(5,733)	(5,733)
Other comprehensive loss:							
Exchange difference arising on translation of foreign operations	-	-	-	(127)	-	-	(127)
Total comprehensive loss for the year	-	-	-	(127)	-	(5,733)	(5,860)
Issue of ordinary shares pursuant to the Reorganisation	10	-	(10)	-	-	-	-
Capitalisation issue	3,844	(3,844)	-	-	-	-	-
Issuance of new shares by way of placing	1,296	137,376	-	-	-	-	138,672
Share issue expense	-	(10,596)	-	-	-	-	(10,596)
Equity-settled share-based payments	-	-	-	-	7,364	-	7,364
At 31 March 2014	5,150	122,936	(10)	(127)	7,364	32,818	168,131

NOTES

1. CORPORATE INFORMATION AND REORGANISATION

(a) Corporate Information

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 GEM of the Stock Exchange since 11 October 2013.

The Company is an investment holding company and the Group is 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 specifically developed for and owned by a renowned chain of health and beauty products in Hong Kong and Macau (the "Distribution Facilitator").

(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 and combined statement of changes in equity for the year ended 31 March 2013 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 year. The consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger accounting under 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 year or since their respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

2. CHANGES IN ACCOUNTING POLICIES

In the current year, the Group has applied the following new and revised Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Amendments to HKFRSs	Annual Improvements to HKFRSs 2009–2011 Cycle
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income
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: Transitional Guidance
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
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

Except as described below, the application of the other new and revised HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in this announcement.

Annual Improvements to HKFRSs 2009–2011 Cycle

This cycle of annual improvements contains amendments to five standards with consequential amendments to other standards and interpretations. Among them, HKAS 1 has been amended to clarify that an opening statement of financial position is required only when a retrospective application of an accounting policy, a retrospective restatement or a reclassification has a material effect on the information presented in the opening statement of financial position. The amendments also remove the requirement to present related notes to the opening statement of financial position when such statement is presented. These amendments do not have any material impact on the results of operations and financial position of the Group for the years presented.

Amendments to HKAS 1 Presentation of Items of Other Comprehensive Income

The amendments require the entities to present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss. The presentation of other comprehensive income in the consolidated statement of profit or loss and other comprehensive income in these financial statements has been modified accordingly. In addition, the Group has chosen to use the new title “statement of profit or loss and other comprehensive income” as introduced by the amendments in these financial statements.

Amendments to HKFRS 7 Disclosures — Offsetting Financial Assets and Financial Liabilities

The amendments introduce new disclosures in respect of offsetting financial assets and financial liabilities. Those new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32, Financial instruments: Presentation and those that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments and transactions, irrespective of whether the financial instruments are set off in accordance with HKAS 32.

The adoption of the amendments does not have an impact on these financial statements because the Group has not offset financial instruments, nor has it entered into master netting agreement or similar agreement which is subject to the disclosures of HKFRS 7 during the periods presented.

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.

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 12 Disclosure of Interests in Other Entities

HKFRS 12 brings together into a single standard all the disclosure requirements relevant to an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. The disclosures required by HKFRS 12 are generally more extensive than those previously required by the respective standards.

HKFRS 13 Fair Value Measurement

HKFRS 13 replaces existing guidance in individual HKFRSs with a single source of fair value measurement guidance. HKFRS 13 also contains extensive disclosure requirements about fair value measurements for both financial instruments and non-financial instruments. The adoption of HKFRS 13 does not have any material impact on the fair value measurements of the Group's assets and liabilities.

3. TURNOVER

The Group is principally engaged in the sale, marketing and distribution of health and beauty supplements and products mainly in Hong Kong and Taiwan. 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 year. An analysis of turnover is as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Health supplements	131,796	120,082
Beauty supplements and products	37,032	42,840
Others	856	845
	<u>169,684</u>	<u>163,767</u>

4. PROFIT BEFORE TAXATION

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
(a) Staff costs:		
Salaries, allowances, and other benefits (including directors' remuneration)	43,790	35,536
Equity-settled share-based payments	7,364	–
Mandatory provident fund contributions	1,520	1,297
	<u>52,674</u>	<u>36,833</u>
(b) Other items:		
Auditors' remuneration	1,088	400
Cost of inventories (<i>note i</i>)	39,692	34,757
Depreciation on property, plant and equipment	1,727	1,467
Amortisation of intangible assets	57	–
Provision for goods returns	1,369	1,305
Exchange loss/(gain), net	170	(21)
Operating lease charges	407	106
Net gain on disposal of subsidiaries	(2,118)	–
Net loss/(gain) on disposal of property, plant and equipment	56	(1,246)
Research and development cost	2,018	2,074
	<u>2,018</u>	<u>2,074</u>
(c) Finance costs:		
Bank overdraft interest	14	–
Finance charge on obligations under finance lease	1	6
Interest on bank loans wholly repayable within five years	36	–
Interest on bank loans not wholly repayable within five years	53	104
	<u>104</u>	<u>110</u>
Total interest expense on financial liabilities not at fair value through profit or loss	<u>104</u>	<u>110</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. For the year ended 31 March 2014, the interest on bank loans which contain a repayment on demand clause amounted to HK\$89,000 (2013: HK\$104,000).

Note:

- (i) For the year ended 31 March 2014, cost of inventories includes HK\$4,964,000 (2013: HK\$4,685,000) 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.

5. TAXATION

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Current tax — Hong Kong Profits Tax		
Provision for the year	5,011	7,185
Underprovision in respect of prior years	874	–
Deferred taxation	295	35
	<u>6,180</u>	<u>7,220</u>

Hong Kong Profits Tax is calculated at 16.5% (2013: 16.5%) of the estimated assessable profit for the year.

No provision for profits tax in the Cayman Islands, the British Virgin Islands (“BVI”) and Taiwan have been made as the Group has no income assessable for tax in these jurisdictions for the years ended 31 March 2013 and 2014.

Reconciliation between tax expenses and accounting profit at the applicable tax rates:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Profit before taxation	<u>447</u>	<u>46,484</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	55	7,670
Tax effect on non-taxable income	(462)	(483)
Tax effect on non-deductible expenses	4,522	613
Tax effect of tax losses not recognised	1,037	224
Others	202	(758)
Special tax deduction	(40)	(40)
Underprovision in respect of prior years	874	–
Utilisation of tax losses not previously recognised	(8)	(6)
Actual tax expense	<u>6,180</u>	<u>7,220</u>

6. DIVIDENDS

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Interim dividend declared and paid by Wisdom Come Medical Group Limited in respect of the year ended 31 March 2013 (<i>note i</i>)	–	20,000
Final dividend declared and paid by Wisdom Come Medical Group Limited in respect of the year ended 31 March 2012 (<i>note i</i>)	–	20,000
	<u>–</u>	<u>40,000</u>

Notes:

- (i) The dividends represented those declared by the Company’s subsidiary, Wisdom Come Medical Group Limited, to its shareholders 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 regard to the purpose of this announcement.

- (ii) At a meeting held on 24 June 2014, the Board recommended the payment of a special dividend of HK\$0.04 per ordinary share (totaling HK\$20,600,000) for the year ended 31 March 2014. This proposed dividend is subject to approval by the shareholders in the forthcoming annual general meeting and is not reflected as dividend payable in the financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 March 2015.

7. (LOSS)/EARNINGS PER SHARE

The basic and diluted (loss)/earnings per share for the year ended 31 March 2014 and 2013 is calculated based on the loss attributable to owners of the Company for the year ended 31 March 2014 in the amount of HK\$5,733,000 (2013: profit of HK\$39,264,000) and the weighted average of 446,471,780 ordinary shares (2013: 385,400,000) in issue during the year, calculated as follows:

	2014	2013
Issued ordinary shares at 1 April	–	–
Effect of issue at date of incorporation (<i>note 14(a)</i>)	10	10
Effect of share issue under Reorganisation (<i>note 14(d)</i>)	999,990	999,990
Effect of capitalisation issue (<i>note 14(e)</i>)	384,400,000	384,400,000
Effect of share issue under placing (<i>note 14(f)</i>)	61,071,780	–
	<u>446,471,780</u>	<u>385,400,000</u>
Weighted average number of ordinary shares at 31 March	<u>446,471,780</u>	<u>385,400,000</u>

The weighted average number of ordinary shares at 5 December 2011 had been adjusted for the 10 shares, 999,990 shares and 384,400,000 shares issued at date of incorporation, pursuant to the Reorganisation and the capitalisation issue which took place upon the completion of the placing of the Company's shares, respectively, which were assumed to have occurred on 1 April 2012.

The computation of diluted loss per share for the year ended 31 March 2014 does not assume the exercise of the Company's outstanding share options during the year ended 31 March 2014 since their exercise would result in a decrease in loss per share.

For the year ended 31 March 2013, diluted earnings per share equals to basic earnings per share as there was no potential dilutive ordinary shares in issue.

8. PROPERTY, PLANT AND EQUIPMENT

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Carrying amount at 1 April	16,868	16,303
Additions during the year	1,981	2,886
Depreciation provided during the year	(1,727)	(1,467)
Disposals during the year	(275)	(919)
Written back on disposal during the year	189	65
	<u>17,036</u>	<u>16,868</u>
Carrying amount at 31 March	<u>17,036</u>	<u>16,868</u>

The leasehold land and buildings held for own use are located in Hong Kong under medium term leases. As at 31 March 2014, the Group has pledged its land and buildings with carrying amount of HK\$6,123,000 (2013: 6,307,000) to a bank to secure banking facilities granted to the Group (note 12).

The carrying amount of motor vehicles included an amount of HK\$104,000 in respect of an asset under finance lease as at 31 March 2013. No asset is held under finance lease as at 31 March 2014.

9. INTANGIBLE ASSETS

As at 31 March 2014, the carrying amount of intangible assets amounting to approximately HK\$743,000 (2013: Nil) which represented the capitalised cost in respect of the product development rights acquired of HK\$800,000 (2013: Nil) net of the amortisation charge for the year of approximately HK\$57,000 (2013: Nil).

10. TRADE AND OTHER RECEIVABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade receivables	17,336	24,090
Less: Allowance for doubtful debts	–	–
	<u>17,336</u>	<u>24,090</u>
Other receivables	1,087	112
	<u>1,087</u>	<u>112</u>
Loans and receivables	18,423	24,202
	<u>18,423</u>	<u>24,202</u>
Prepayments	3,437	812
Deposits	3,966	7,558
	<u>7,403</u>	<u>8,370</u>
	<u>25,826</u>	<u>32,572</u>

The Group has adopted a policy of only doing business with creditworthy counterparties.

Included 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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0–30 days	8,586	21,202
31–60 days	8,133	2,413
61–90 days	30	111
91–180 days	46	290
181–365 days	265	57
Over 365 days	276	17
	<u>17,336</u>	<u>24,090</u>

11. TRADE AND OTHER PAYABLES

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Trade payables	3,985	3,013
Salary and welfare payables	4,299	3,317
Accrued advertising expenses	3,697	4,346
Other payables and accruals	1,830	2,526
	<u>13,811</u>	<u>13,202</u>
Financial liabilities measured at amortised cost	<u>13,811</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:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
0–30 days	1,234	688
31–60 days	1,091	497
61–90 days	649	259
91–180 days	488	278
181–365 days	242	15
Over 365 days	281	1,276
	<u>3,985</u>	<u>3,013</u>

12. SECURED BANK LOANS

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Carrying amount of bank loans that contain a repayment on demand clause:		
Repayable within one year	559	544
Repayable after one year (shown under current liabilities)	2,388	2,947
	<u>2,947</u>	<u>3,491</u>

As at 31 March 2014, the secured bank loans of the Group are secured by the leasehold land and buildings with carrying amount of HK\$6,123,000 (2013: HK\$6,307,000).

13. 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 year.

14. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares of HK\$0.10 per share	Number of ordinary shares of HK\$0.01 per share	Nominal value ordinary shares HK\$
<i>Authorised:</i>				
At 1 April 2012, 31 March 2013 and 1 April 2013	<i>(a)</i>	3,800,000	–	380,000.00
Share subdivision	<i>(b)</i>	(3,800,000)	38,000,000	–
Increase in authorised share capital	<i>(c)</i>	–	962,000,000	9,620,000.00
		<u>–</u>	<u>1,000,000,000</u>	<u>10,000,000.00</u>
<i>Issued and fully paid:</i>				
At 1 April 2012, 31 March 2013 and 1 April 2013	<i>(a)</i>	1	–	–
Share subdivision	<i>(b)</i>	(1)	10	–
Issue of ordinary shares pursuant to the Reorganisation	<i>(d)</i>	–	999,990	9,999.90
Credit the 10 shares in issue as fully paid pursuant to the Reorganisation	<i>(d)</i>	–	–	0.10
Capitalisation issue	<i>(e)</i>	–	384,400,000	3,844,000.00
Issuance of new shares by way of placing	<i>(f)</i>	–	129,600,000	1,296,000.00
		<u>–</u>	<u>515,000,000</u>	<u>5,150,000.00</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”), the ultimate holding company of the Group.
- (b) Pursuant to the sole shareholder resolutions of the Company 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 authorised 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 of HK\$0.01 each. All 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 (i) the Company allotting and issuing 999,990 shares credited as fully paid up to Able Island; and (ii) the Company crediting as fully paid at par the ten nil paid shares held by Able Island.

- (e) 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.
- (f) On 11 October 2013, the Company issued 129,600,000 shares of HK\$0.01 each at a price of HK\$1.07 per share by way of placing to selected institutional, professional and other investors. Net proceeds from such issues amounted to HK\$128,076,000 (after offsetting expenses directly attributable to the issue of shares of HK\$10,596,000), out of which HK\$1,296,000 and HK\$126,780,000 were recorded in share capital and share premium respectively.

15. 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, being the chief operating decision maker (“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.

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Board for the purpose of resource allocation and assessment of segment performance for the years ended 31 March 2013 and 2014 is set out below:

	For the year ended 31 March 2014					
	Proprietary brands		Private label brands		Other items	Total
	Health supplements	Beauty supplements and products	Health supplements	Beauty supplements and products		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customers	104,291	28,277	27,505	8,755	856	169,684
Cost of sales	(22,511)	(9,951)	(4,158)	(2,732)	(340)	(39,692)
Gross profit	81,780	18,326	23,347	6,023	516	129,992
Selling and distribution expenses	(34,389)	(8,350)	(3,514)	(2,051)	-	(48,304)
Administrative expenses	(6,404)	(388)	(8,079)	(818)	-	(15,689)
Segment results	<u>40,987</u>	<u>9,588</u>	<u>11,754</u>	<u>3,154</u>	<u>516</u>	<u>65,999</u>
Other revenue and other net income						2,710
Unallocated head office and corporate expenses						(68,158)
Finance costs						(104)
Profit before taxation						<u>447</u>

	For the year ended 31 March 2013					
	Proprietary brands		Private label brands		Other items	Total
	Health supplements	Beauty supplements and products	Health supplements	Beauty supplements and products		
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
Revenue from external customers	105,168	27,203	14,914	15,637	845	163,767
Cost of sales	(21,419)	(7,152)	(2,071)	(3,728)	(387)	(34,757)
Gross profit	83,749	20,051	12,843	11,909	458	129,010
Selling and distribution expenses	(24,200)	(6,868)	(2,043)	(4,697)	-	(37,808)
Administrative expenses	(5,603)	(985)	(4,673)	(1,495)	-	(12,756)
Segment results	<u>53,946</u>	<u>12,198</u>	<u>6,127</u>	<u>5,717</u>	<u>458</u>	<u>78,446</u>
Other revenue and other net income						1,337
Unallocated head office and corporate expenses						(33,189)
Finance costs						(110)
Profit before taxation						<u>46,484</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)

	Amortisation and Depreciation	
	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Proprietary brands:		
Health supplements	344	304
Beauty supplements and products	78	79
Private label brands:		
Health supplements	76	43
Beauty supplements and products	24	46
Unallocated	1,262	995
Total	1,784	1,467

(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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong	167,631	163,767
Taiwan	2,053	–
	169,684	163,767

Non-current assets

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Hong Kong	17,659	16,868
Taiwan	120	–
	<u>17,779</u>	<u>16,868</u>

(c) Information about major customer

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

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Customer A (<i>note (i)</i>)	<u>113,336</u>	<u>116,957</u>

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.

16. OPERATING LEASE COMMITMENTS

The Group as lessee

At 31 March 2013 and 2014, the Group had outstanding commitments under non-cancellable operating leases falling due as follows:

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
Within one year	411	189
In the second to fifth year, inclusive	<u>57</u>	<u>132</u>
	<u><u>468</u></u>	<u><u>321</u></u>

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

17. DISPOSAL OF SUBSIDIARIES

- (a) On 10 September 2013, the Group disposed of the entire issued share capital in Xaxon Cosmeceutical Inc. (“Xaxon”) to Mr. Chan Yan Tak, director of the Company, at a cash consideration of HK\$1. On the same day, the Group 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>–</u></u>
Analysis of assets and liabilities over which control was lost:	
Cash and cash equivalents	(2)
Other payables	<u>2,109</u>
	<u><u>2,107</u></u>
Result on disposal of subsidiaries:	
Consideration received	–
Net liabilities derecognised	<u>2,107</u>
Gain on disposal	<u><u>2,107</u></u>
Net cash flow arising on disposal:	
Cash consideration received	–
Cash and cash equivalents disposed of	<u>(2)</u>
	<u><u>(2)</u></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>
Gain 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>

18. RELATED PARTY TRANSACTIONS

The Group had the following transactions with its related parties during the year:

(a) Related party transactions included in the consolidated statement of financial position

	2014 <i>HK\$'000</i>	2013 <i>HK\$'000</i>
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:

	2014	2013
	HK\$'000	HK\$'000
Short-term employee benefits	8,209	4,164
Post-employment benefits	113	80
Equity-settled share-based payments	7,228	–
	15,550	4,244

(c) Guarantees provided by a director and a fellow subsidiary

At 31 March 2013, certain banking facilities of the Group were secured by guarantees provided by a director of the Company and a fellow subsidiary in the amounts of HK\$9,515,000 and HK\$1,500,000, respectively. These guarantees were released before the listing of the Company's shares on the GEM of the Stock Exchange.

19. LOANS MADE BY RELATED PARTIES UNDER GUARANTEES GIVEN BY THE GROUP

Name of related party	Particulars of guarantees	Maximum liability under the guarantee	
		2014	2013
		HK\$'000	HK\$'000
Royal Trendy Limited (note i)	Guarantees 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
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	–	5,658

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 guarantees given to Royal Trendy Limited were released before the listing of the Company's shares on the GEM of the Stock Exchange.
- (ii) The guarantee given to Chan Yan Tak was released before the listing of the Company's shares on the GEM of the Stock Exchange.

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 and Taiwan. The Group's products are sold under its proprietary brands and private label brands specifically developed for 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. The Distribution Facilitator remains as the Group's major customer during the year ended 31 March 2014, which contributed to approximately 66.8% of the Group's total revenue.

The following table sets forth the revenue generated from new products introduced by the Group during the two years ended 31 March 2014:

	For the year ended 31 March			
	2014		2013	
	Number of new products introduced	Revenue <i>HK\$'000</i>	Number of new products introduced	Revenue <i>HK\$'000</i>
Health supplements:				
Proprietary brands	9	4,474	5	6,189
Private label brands	4	3,724	14	3,020
	<u>13</u>	<u>8,198</u>	<u>19</u>	<u>9,209</u>
Beauty supplements and products:				
Proprietary brands	2	12,572	4	2,664
Private label brands	1	224	3	10,382
	<u>3</u>	<u>12,796</u>	<u>7</u>	<u>13,046</u>
Total	<u>16</u>	<u>20,994</u>	<u>26</u>	<u>22,255</u>

As at 31 March 2014, the Group sold and distributed 30 (2013: 21) health supplements and 9 (2013: 10) beauty supplements and products under its proprietary brands. The Group also sold and distributed 39 (2013: 36) health supplements and 6 (2013: 8) beauty supplements and products under the Distribution Facilitator's private label brands.

FINANCIAL REVIEW

The Group reported a net loss of approximately HK\$5.7 million for the year against a profit of approximately HK\$39.3 million for the previous year. EBIT of the Group amounted to approximately HK\$0.6 million for the year, against an EBIT of approximately HK\$46.6 million for previous year; while the adjusted EBIT decreased from approximately HK\$45.9 million to HK\$31.3 million as follows:

	2014	2013	
	HK\$'000	HK\$'000	<i>% change</i>
EBIT (<i>note</i>)	551	46,594	-98.8%
Adjusted for significant one-off expenses/(income) of the Group as follows:			
Listing expenses	15,370	996	1,443.2%
Equity-settled share-based payments	7,364	-	N/A
Reversal of penalty	-	(1,676)	-100.0%
One-off corporate image promotion expenses	8,000	-	N/A
Adjusted EBIT	31,285	45,914	-31.9%

Note: EBIT represents earnings before finance costs and taxation.

Revenue — Business segments

The following table sets forth the breakdown of the Group's revenue by business segments for the two years ended 31 March 2014:

	For the year ended 31 March			
	2014		2013	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Business segments				
Health supplements	131,796	77.7%	120,082	73.3%
Beauty supplements and products	37,032	21.8%	42,840	26.2%
Others	856	0.5%	845	0.5%
Total	169,684	100.0%	163,767	100.0%

The Group's revenue increased by approximately HK\$5.9 million or 3.6% from approximately HK\$163.8 million to HK\$169.7 million for the two years ended 31 March 2014, 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\$11.7 million or 9.7% from approximately HK\$120.1 million to HK\$131.8 million, while revenue attributable to beauty supplements and products decreased by approximately HK\$5.8 million or 13.6% from approximately HK\$42.8 million to HK\$37.0 million, for the two years ended 31 March 2014.

For the year ended 31 March 2014, the Group's top 5 best-selling products were Royal Medic No.1 Chinese CS-4, La Gusto Slim Coffee, Melty Enzyme, Royal Medic Liver Guard and RM Broken Ganoderma Spore, which in aggregate contributed to approximately HK\$83.2 million or 49.0% of the Group's total revenue.

For the year ended 31 March 2013, the Group's top 5 best-selling products were Royal Medic No.1 Chinese CS-4, La Gusto Slim Coffee, Kiwi Lab Magic Mix, Royal Medic Liver Guard and RM Broken Ganoderma Spore, which in aggregate contributed to approximately HK\$92.5 million or 56.5% of the Group's total revenue.

Proprietary brands health supplements

The Group's revenue attributable to proprietary brands health supplements decreased by approximately HK\$0.9 million or 0.9% from approximately HK\$105.2 million to HK\$104.3 million for the year ended 31 March 2014 as compared with the same period of last year.

Private label brands health supplements

The revenue attributable to private label brands health supplements increased by approximately HK\$12.6 million or 84.6% from approximately HK\$14.9 million to HK\$27.5 million for the year ended 31 March 2014 as compared with the same period of 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 ("SDC"), which primarily sold health supplements.

Proprietary brands beauty supplements and products

Revenue attributable to proprietary brands beauty supplements and products increased by approximately HK\$1.1 million or 4.0% from approximately HK\$27.2 million to HK\$28.3 million for the year ended 31 March 2014 as compared with the same period of last year.

Private label brands beauty supplements and products

The revenue attributable to private label brands beauty supplements and products decreased by approximately HK\$6.8 million or 43.6% from approximately HK\$15.6 million to HK\$8.8 million for the year ended 31 March 2014 as compared with the same period of last year. The decrease is primarily due to the Group focusing resources on marketing Health Proof products, which are primarily health supplements.

Revenue — Sales and distribution

The following table sets forth the breakdown of the Group's revenue by distribution channels during the two years ended 31 March 2014:

	For the year ended 31 March			
	2014		2013	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Shelves in the Distribution				
Facilitator's stores	113,336	66.8%	116,957	71.4%
SDCs located in the Distribution				
Facilitator's stores	42,304	24.9%	35,140	21.5%
Hong Kong Brands and Products Expo	10,103	6.0%	10,008	6.1%
Other distribution channels (<i>Note 1</i>)	3,085	1.8%	817	0.5%
Others (<i>Note 2</i>)	856	0.5%	845	0.5%
Total	169,684	100.0%	163,767	100.0%

Note 1: "Other distribution channels" includes a distribution facilitator in Taiwan, the Wisdom Club, wholesalers, and Royal Medic Chinese Medicine Clinics.

Note 2: "Others" mainly includes service income generated by Royal Medic Chinese Medicine Clinics.

As at 31 March 2014, the Group had 15 (2013: 15) Royal Medic SDCs and 13 (2013: 10) Health Proof SDCs in the Distribution Facilitator's stores in Hong Kong.

Revenue — Geographical segments

The following table sets forth the breakdown of the Group's revenue by geographic segments during the two years ended 31 March 2014:

	For the year ended 31 March			
	2014		2013	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Hong Kong	167,631	98.8%	163,767	100.0%
Taiwan	2,053	1.2%	–	0.0%
Total	169,684	100.0%	163,767	100.0%

Cost of sales

The Group's cost of sales primarily comprises of cost of raw material and packaging materials, labour costs related to production and/or packaging of the Group's products, write down of inventories, provision for goods return and subcontracting or contract manufacturing costs.

Gross profit and gross profit margin

The following table sets forth the breakdown of the Group's gross profit and gross profit margin by operating segments during the two years ended 31 March 2014:

	For the year ended 31 March			
	2014		2013	
	HK\$'000	%	HK\$'000	%
Health supplements:				
Proprietary brands	81,780	78.4%	83,749	79.6%
Private label brands	23,347	84.9%	12,843	86.1%
	<u>105,127</u>	<u>79.8%</u>	<u>96,592</u>	<u>80.4%</u>
Beauty supplements and products:				
Proprietary brands	18,326	64.8%	20,051	73.7%
Private label brands	6,023	68.8%	11,909	76.2%
	<u>24,349</u>	<u>65.8%</u>	<u>31,960</u>	<u>74.6%</u>
Others	<u>516</u>	<u>60.2%</u>	<u>458</u>	<u>54.2%</u>
Total	<u>129,992</u>	<u>76.6%</u>	<u>129,010</u>	<u>78.8%</u>

Gross profit for the year ended 31 March 2014 was approximately HK\$130.0 million, representing an increase of approximately 0.8% as compared with that for the corresponding period in 2013. The gross profit margin of the Group for the year ended 31 March 2014 was approximately 76.6%, representing a decrease of approximately 2.2 percentage points from 78.8% as compared with 2013.

Selling and distribution expenses

The Group's selling and distribution expenses principally consist of (i) advertising and promotion expenses for advertisements through various channels including TV media, printed media, outdoor advertising and digital media as well as engagement of artistes to endorse the Group's products as brand ambassadors; (ii) commission paid to sales promoters; and (iii) exhibition expenses. The following table sets forth a breakdown for the major items of the Group's selling and distribution expenses for the two years ended 31 March 2014:

	For the year ended 31 March			
	2014		2013	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Advertising and promotion expenses	33,507	69.2%	25,442	66.9%
Commission charges	11,579	23.9%	9,737	25.6%
Exhibition expenses	1,547	3.2%	1,354	3.6%
Others	1,802	3.7%	1,485	3.9%
Total	<u>48,435</u>	<u>100.0%</u>	<u>38,018</u>	<u>100.0%</u>

The Group's selling and distribution expenses increased by approximately HK\$10.4 million or 27.4% from approximately HK\$38.0 million to HK\$48.4 million for the two years ended 31 March 2014. It was primarily attributable to (i) the launch of marketing campaigns to promote corporate image in both Hong Kong and Taiwan and (ii) the increase in commission expenses as a result of the increase in sales generated by promoters while the average commission rate remained stable.

The Group spent approximately HK\$8.0 million on a one-off marketing campaign to promote the Group's corporate image in Hong Kong during the year ended 31 March 2014.

Administrative expenses

The administrative expenses mainly consist of salaries and staff related costs for administrative personnel (including the Directors), rent for SDCs, consultancy fees, traveling and entertainment expenses and research and development costs. The following table sets forth a breakdown for the major items of the Group's administrative expenses for the two years ended 31 March 2014:

	For the year ended 31 March			
	2014		2013	
	HK\$'000	%	HK\$'000	%
Salaries	24,489	40.2%	21,522	48.1%
Rent for SDCs	16,098	26.4%	13,113	29.3%
Directors' emoluments	4,136	6.8%	780	1.7%
Mandatory provident fund and other staff benefits	1,975	3.2%	1,884	4.2%
Research and development costs	2,018	3.3%	2,074	4.6%
Legal and professional fees	2,619	4.3%	647	1.4%
Reversal for penalty	–	–	(1,676)	–3.7%
Others	9,647	15.8%	6,395	14.4%
Total	<u>60,982</u>	<u>100%</u>	<u>44,739</u>	<u>100%</u>

The Group's administrative expenses increased by approximately HK\$16.3 million or 36.5% from approximately HK\$44.7 million to HK\$61.0 million for the two years ended 31 March 2014. It was primarily attributable to increased Directors' emoluments and salaries costs, rental expense and legal and professional fees.

Listing expenses

The Group incurred listing expenses of approximately HK\$15.4 million for the year ended 31 March 2014 (2013: HK\$1.0 million).

Equity-settled share-based payments

During the year ended 31 March 2014, the Group recognised a total expense of approximately HK\$7.4 million in relation to the Share Options granted by the Company to directors and employees.

Profit before taxation

The Group's profit before taxation decreased from approximately HK\$46.5 million to HK\$0.4 million for the two years ended 31 March 2014. The decrease was mainly due to (i) listing expenses and other related charges of approximately HK\$15.4 million; (ii) increase in director's emolument and employees salary costs for improving internal control; (iii) equity-settled share-based payment in respect of the Share Options granted by the Company of approximately HK\$7.4 million; and (iv) one-off marketing campaign of HK\$8.0 million to promote the Group's corporate image in Hong Kong; incurred during the year ended 31 March 2014.

Taxation

Taxation for the year ended 31 March 2014 was approximately HK\$6.2 million (2013: HK\$7.2 million). The tax effects on (i) non-deductible expenses and (ii) tax losses not recognised, have contributed to the extent of taxation incurred in the year under review.

Loss/(profit) for the year

As a result of the foregoing factors, the Group incurred a net loss of approximately HK\$5.7 million during the year ended 31 March 2014, as compared with a net profit of approximately HK\$39.3 million for the year ended 31 March 2013.

Inventories

The inventories increased by approximately HK\$4.7 million or 36.7% from approximately HK\$12.8 million to HK\$17.5 million, as at 31 March 2013 and 2014, respectively. The Group's total inventory turnover days increased from 125 days to 139 days for the two years ended 31 March 2014. The increase was primarily due to the increase in inventory level of raw materials and finished goods to cater for the special promotion event scheduled in April 2014 and increase in inventory level of finished goods for the Taiwan market.

Trade and other receivables

Trade and other receivables decreased by approximately HK\$6.8 million or 20.9% from approximately HK\$32.6 million to HK\$25.8 million as at 31 March 2013 and 2014. Of which, trade receivables decreased by approximately HK\$6.8 million or 28.2% from approximately HK\$24.1 million to HK\$17.3 million as at 31 March 2013 and 2014. The Group's total receivable turnover days decreased from 52 days to 45 days for the two years ended 31 March 2014.

Trade and other payables

Trade and other payables increased by approximately HK\$0.6 million or 4.5% from approximately HK\$13.2 million to HK\$13.8 million as at 31 March 2013 and 2014. Of which, trade payables increased by approximately HK\$1.0 million or 33.3% from approximately HK\$3.0 million to HK\$4.0 million as at 31 March 2013 and 2014. The Group's total payables turnover days decreased from 38 days to 32 days for the two years ended 31 March 2014.

Disclaimer

Save for Royal Medic No.1 Chinese CS-4, none of the Group's products is registered under the Pharmacy and Poison Ordinance (Chapter 138, the Laws of Hong Kong) and the Chinese Medicine Ordinance. Any claim made for those products has not been subject to evaluation for such registration. Those products are not intended to diagnose, treat or prevent any disease.

FINANCIAL POSITION AND LIQUIDITY

As at 31 March 2014, cash and bank balances of the Group amounted to approximately HK\$123.3 million (2013: HK\$15.7 million). The current ratio (current assets divided by current liabilities) of the Group was 1.5 and 9.3 times as at 31 March 2013 and 2014, respectively. The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 1.8% as at 31 March 2014 (2013: approximately 9.2%). In view of the Group's current level of cash and bank balances, funds generated internally from 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 31 March 2014, the Group has unutilised general banking facilities of approximately HK\$12.9 million (2013: HK\$15.1 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 owners 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 year.

EMPLOYEE INFORMATION

As at 31 March 2014, the Group had 173 employee (2013: 130). For the year ended 31 March 2014, staff cost including directors' remuneration was approximately HK\$52.7 million (2013: HK\$36.8 million).

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”). During the year ended 31 March 2014, the total number of options granted under the Share Option Scheme was 36,500,000 options, in which 10,000,000 options had been lapsed, none of the options had been exercised and/or cancelled.

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 year ended 31 March 2014.

CONTINGENT LIABILITIES

As at 31 March 2013 and 2014, the Group had no material contingent liabilities.

CHARGES ON ASSETS

As at 31 March 2014, the Group had secured bank loans of approximately HK\$2.9 million (2013: HK\$3.5 million). The banking facilities are secured by the Group’s land and buildings, having carrying amount of approximately HK\$6.1 million as at 31 March 2014 (2013: HK\$6.3 million).

CAPITAL COMMITMENT

As at 31 March 2013 and 2014, the Group did not have significant capital commitment.

SPECIAL DIVIDEND

Prior to the Reorganisation to rationalise the structure of the Group in preparation for the listing of the Company’s shares on the GEM of the Stock Exchange, Wisdom Come Medical Group Limited, a subsidiary of the Company, had declared dividend in an amount of HK\$40,000,000 to its then shareholders during the year ended 31 March 2013.

Subsequent to the end of the reporting period, the Directors recommend the payment of a special dividend for the year ended 31 March of 2014 of HK\$0.04 per ordinary share (the “Special Dividend”) to the shareholders of the Company (the “Shareholder(s)”) whose names appear on the register of members of the Company on Friday, 8 August 2014, amounting to approximately HK\$20,600,000, subject to approval by the Shareholders in the forthcoming annual general meeting of the Company to be held on Monday, 4 August 2014 (the “2014 AGM”).

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 year ended 31 March 2014 (2013: Nil).

CHANGE IN DIRECTOR’S INFORMATION

The change in information of director subsequent to the publication of the 2013/2014 third quarterly report in February 2014 is set out below:

Mr. Cheng Kwok Kin, Paul, an independent non-executive director of the Company, was appointed as an independent non-executive director of Kin Yat Holdings Limited (stock code: 638, a company listed on the Stock Exchange) on 23 June 2014.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 1 August 2014 to Monday, 4 August 2014, both days inclusive, during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the 2014 AGM, all transfers documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration not later than 4:00 p.m. on Thursday, 31 July 2014.

The register of members will also be closed on Friday, 8 August 2014, during which period no transfer of Shares will be registered. In order to qualify for the Special Dividend, all transfers documents accompanied by the relevant share certificates must be lodged for registration with the Company’s branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong for Registration not later than 4:00 p.m. on Thursday, 7 August 2014.

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 year ended 31 March 2014, 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 year ended 31 March 2014, he or she has fully complied with the required standard of dealings and there is no event of non-compliance.

SCOPE OF WORK OF MESSRS. CCIF CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2014 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. CCIF CPA Limited ("CCIF"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCIF in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CCIF on this preliminary announcement.

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

Hong Kong, 24 June 2014

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.