

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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 RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 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.

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

For the three and six months ended 30 September 2014

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
TURNOVER	4	51,711	41,767	99,513	74,177
Cost of sales		<u>(10,486)</u>	<u>(9,029)</u>	<u>(21,657)</u>	<u>(17,581)</u>
GROSS PROFIT		41,225	32,738	77,856	56,596
Other revenue and other net income		29	2,138	256	2,203
Selling and distribution expenses		(14,706)	(11,790)	(27,605)	(21,767)
Administrative expenses		(19,249)	(13,692)	(38,320)	(26,777)
Equity-settled share-based payments		(1,075)	–	(1,075)	–
Listing expenses		<u>–</u>	<u>(3,980)</u>	<u>–</u>	<u>(4,252)</u>
PROFIT FROM OPERATIONS		6,224	5,414	11,112	6,003
Finance costs	5(c)	<u>(61)</u>	<u>(23)</u>	<u>(88)</u>	<u>(49)</u>
PROFIT BEFORE TAXATION	5	6,163	5,391	11,024	5,954
Taxation	6	<u>(1,068)</u>	<u>(1,492)</u>	<u>(2,169)</u>	<u>(1,750)</u>
PROFIT FOR THE PERIOD					
ATTRIBUTABLE TO OWNERS OF THE COMPANY		5,095	3,899	8,855	4,204
OTHER COMPREHENSIVE LOSS FOR THE PERIOD					
Items that may be reclassified to profit or loss:					
Exchange differences arising on translation of foreign operations		<u>(29)</u>	<u>(9)</u>	<u>(43)</u>	<u>(9)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>5,066</u>	<u>3,890</u>	<u>8,812</u>	<u>4,195</u>
EARNINGS PER SHARE					
BASIC (HK CENTS PER SHARE)	8	<u>0.99</u>	<u>1.01</u>	<u>1.72</u>	<u>1.09</u>
DILUTED (HK CENTS PER SHARE)	8	<u>0.99</u>	<u>1.01</u>	<u>1.71</u>	<u>1.09</u>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 September 2014

		As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	16,749	17,036
Intangible assets	10	686	743
		17,435	17,779
Current assets			
Inventories		16,623	17,467
Trade and other receivables	11	50,144	25,826
Cash and cash equivalents		99,368	123,299
Tax recoverable		–	2,218
		166,135	168,810
Current liabilities			
Trade and other payables	12	20,864	13,811
Secured bank loans	13	2,670	2,947
Tax payable		825	–
Provisions		1,427	1,334
		25,786	18,092
Net current assets		140,349	150,718
Total assets less current liabilities		157,784	168,497
Non-current liabilities			
Deferred tax liabilities		366	366
		366	366
Net assets		157,418	168,131
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	5,150	5,150
Reserves		152,268	162,981
TOTAL EQUITY		157,418	168,131

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the six months ended 30 September 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 2014 (audited)	5,150	122,936	(10)	(127)	7,364	32,818	168,131
Profit for the period	-	-	-	-	-	8,855	8,855
Other comprehensive loss:							
Exchange differences arising on translation of foreign operations	-	-	-	(43)	-	-	(43)
Total comprehensive income for the period	-	-	-	(43)	-	8,855	8,812
Equity-settled share-based payments	-	-	-	-	1,075	-	1,075
Share options lapsed	-	-	-	-	(139)	139	-
Dividends recognised as distribution	-	-	-	-	-	(20,600)	(20,600)
At 30 September 2014 (unaudited)	<u>5,150</u>	<u>122,936</u>	<u>(10)</u>	<u>(170)</u>	<u>8,300</u>	<u>21,212</u>	<u>157,418</u>
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 operations	-	-	-	(9)	-	-	(9)
Total comprehensive income for the period	-	-	-	(9)	-	4,204	4,195
Issue of ordinary shares pursuant to the Reorganisation	10	-	(10)	-	-	-	-
At 30 September 2013 (unaudited)	<u>10</u>	<u>-</u>	<u>(10)</u>	<u>(9)</u>	<u>-</u>	<u>42,755</u>	<u>42,746</u>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	For the six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Operating activities		
Cash (used in)/generated from operations	(3,278)	12,995
Hong Kong Profits Tax refunded/(paid)	874	(2,399)
Net cash (used in)/generated from operating activities	<u>(2,404)</u>	<u>10,596</u>
Investing activities		
Purchase of property, plant and equipment	(713)	(306)
Purchase of intangible assets	–	(800)
Other investing activities	194	5,001
Net cash (used in)/generated from investing activities	<u>(519)</u>	<u>3,895</u>
Financing activities		
Repayment of secured bank loans	(277)	(270)
Dividends paid	(20,600)	–
Interest paid	(88)	(48)
Decrease in amounts due to related parties	–	(26,529)
Capital element of finance lease payments	–	(47)
Interest element of finance lease payments	–	(1)
Net cash used in financing activities	<u>(20,965)</u>	<u>(26,895)</u>
Net decrease in cash and cash equivalents	(23,888)	(12,404)
Cash and cash equivalents at beginning of the period	123,299	15,708
Effect of foreign exchange rate changes	(43)	(9)
Cash and cash equivalents at end of the period	<u>99,368</u>	<u>3,295</u>

NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION

For the six months ended 30 September 2014

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 principle 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 shares were listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 11 October 2013.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the sales, marketing and distribution of health and beauty supplements and products in Hong Kong and Taiwan. The Group’s products are mainly 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”).

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

The unaudited 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 and combined statement of changes in equity for the period ended 30 September 2013 have been prepared on the basis as if the Company had always been holding company of the companies now comprising the Group throughout the period. The unaudited condensed interim consolidated financial information has 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 upon completion of the Reorganisation has been in existence throughout the period or since their respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

2. BASIS OF PREPARATION

The unaudited condensed interim consolidated financial information has been prepared in accordance with the Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the 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.

3. PRINCIPAL ACCOUNTING POLICIES

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

Except as described below, the accounting policies and methods of computation used in the unaudited condensed interim consolidated financial information for the six months ended 30 September 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2014.

In the current interim period, the Group has applied, for the first time, the following new and revised Hong Kong Financial Reporting Standards ("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 2014.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-INT 21	Levies

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

4. TURNOVER

The Group is principally engaged in the sales, marketing and distribution of health and beauty supplements and products mainly in Hong Kong and Taiwan. The products are mainly 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 three months ended		For the six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Health supplements	42,559	31,859	80,899	51,651
Beauty supplements and products	8,983	9,684	18,159	22,135
Others	169	224	455	391
	<u>51,711</u>	<u>41,767</u>	<u>99,513</u>	<u>74,177</u>

5. PROFIT BEFORE TAXATION

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

	For the three months ended 30 September		For the six months ended 30 September	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
(a) Staff costs:				
Salaries, allowances, and other benefits (including directors' remuneration)	13,447	9,967	27,391	20,138
Mandatory provident fund contribution	471	370	945	746
	<u>13,918</u>	<u>10,337</u>	<u>28,336</u>	<u>20,884</u>
(b) Other items:				
Auditors' remuneration	345	180	520	188
Cost of inventories (<i>note</i>)	10,486	9,029	21,657	17,581
Depreciation on property, plant and equipment	512	417	997	828
Amortisation of intangible assets	28	–	57	–
Provision/(reversal) of provision for goods returns	242	(45)	543	361
Exchange (gain)/loss, net	(13)	46	(37)	57
Operating lease charges	249	77	424	197
Net gain on disposal of subsidiaries	–	(2,118)	–	(2,118)
Net loss on disposal of property, plant and equipment	3	–	3	–
Research and development cost	784	689	1,538	923
	<u>784</u>	<u>689</u>	<u>1,538</u>	<u>923</u>
(c) Finance costs:				
Bank overdraft interest	42	–	49	1
Finance charge on obligations under finance lease	–	–	–	1
Interest on bank loans wholly repayable within five years	7	9	15	19
Interest on bank loans not wholly repayable within five years	12	14	24	28
	<u>12</u>	<u>14</u>	<u>24</u>	<u>28</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>61</u>	<u>23</u>	<u>88</u>	<u>49</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\$39,000 for the six months ended 30 September 2014 (six months ended 30 September 2013: HK\$47,000).

Note:

For the six months ended 30 September 2014, cost of inventories includes HK\$2,372,000 (six months ended 30 September 2013: HK\$2,181,000) 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.

6. TAXATION

	For the three months ended 30 September		For the six months ended 30 September	
	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)
Current tax — Hong Kong Profits Tax				
Provision for the period	1,942	1,197	3,043	1,750
Overprovision in respect of prior years	(874)	–	(874)	–
Deferred taxation	–	295	–	–
	<u>1,068</u>	<u>1,492</u>	<u>2,169</u>	<u>1,750</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the periods ended 30 September 2013 and 2014.

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 six months ended 30 September 2013 and 2014.

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

	For the three months ended 30 September		For the six months ended 30 September	
	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)
Profit before taxation	<u>6,163</u>	<u>5,391</u>	<u>11,024</u>	<u>5,954</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	1,012	885	1,810	977
Tax effect on non-taxable income	(65)	(350)	(96)	(350)
Tax effect on non-deductible expenses	322	734	421	853
Tax effect of tax losses not recognised	652	(66)	950	343
Others	21	300	(42)	(57)
Overprovision in respect of prior years	(874)	–	(874)	–
Utilisation of tax losses not previously recognised	–	(11)	–	(16)
Actual tax expense	<u>1,068</u>	<u>1,492</u>	<u>2,169</u>	<u>1,750</u>

7. DIVIDENDS

At a meeting held on 24 June 2014, the board of directors recommended the payment of a special dividend of HK\$0.04 per ordinary share of the Company (totaling HK\$20,600,000) for the year ended 31 March 2014 (“2014 Special Dividend”), which was then approved by the shareholders of the Company in the annual general meeting held on 4 August 2014. The dividend was paid and reflected as an appropriation of retained earnings during the six months ended 30 September 2014.

The board of directors does not recommend any payment of interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	For the three months ended		For the six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Earnings				
Profit attributable to owners of the Company for the purposes of calculation of basic and diluted earnings per share (HK\$'000)	<u>5,095</u>	<u>3,899</u>	<u>8,855</u>	<u>4,204</u>
Number of shares				
Weighted average number of ordinary shares in issue for the purpose of calculation of basic earnings per share	<u>515,000,000</u>	385,400,000	<u>515,000,000</u>	385,400,000
Effect of dilutive potential ordinary shares: Share options	<u>403,000</u>	<u>–</u>	<u>1,470,000</u>	<u>–</u>
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	<u>515,403,000</u>	<u>385,400,000</u>	<u>516,470,000</u>	<u>385,400,000</u>
Basic earnings per share (HK cents)	<u>0.99</u>	<u>1.01</u>	<u>1.72</u>	<u>1.09</u>
Diluted earnings per share (HK cents)	<u>0.99</u>	<u>1.01</u>	<u>1.71</u>	<u>1.09</u>

The calculation of the basic earnings per share for the six months ended 30 September 2013 was based on the consolidated profit attributable to owners of the Company and on 385,400,000 ordinary shares in issue during the period which was calculated on the assumption that the Reorganisation has been effective on 1 April 2013, and had been adjusted to reflect the capitalisation issue, which took place upon the completion of the placing of the Company's shares (the "Placing").

9. PROPERTY, PLANT AND EQUIPMENT

	As at 30 September 2014 HK\$'000 (unaudited)	As at 31 March 2014 HK\$'000 (audited)
Carrying amount at 1 April	17,036	16,868
Additions during the period/year	713	1,981
Depreciation provided during the period/year	(997)	(1,727)
Disposals during the period/year	(4)	(275)
Written back on disposal during the period/year	<u>1</u>	<u>189</u>
Carrying amount at 30 September/31 March	<u>16,749</u>	<u>17,036</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\$6,031,000 as at 30 September 2014 (as at 31 March 2014: HK\$6,123,000).

10. INTANGIBLE ASSETS

	As at 30 September 2014 HK\$'000 (unaudited)	As at 31 March 2014 HK\$'000 (audited)
Carrying amount at 1 April	743	–
Additions during the period/year	–	800
Amortisation provided during the period/year	<u>(57)</u>	<u>(57)</u>
Carrying amount at 30 September/31 March	<u>686</u>	<u>743</u>

Intangible assets represent the product development rights acquired by the Group.

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2014 HK\$'000 (unaudited)	As at 31 March 2014 HK\$'000 (audited)
Trade receivables	29,391	17,336
Less: Allowance for doubtful debts	<u>–</u>	<u>–</u>
Other receivables	<u>29,391</u> 3,051	17,336 <u>1,087</u>
Loans and receivables	<u>32,442</u>	<u>18,423</u>
Prepayments	11,287	3,437
Deposits	<u>6,415</u>	<u>3,966</u>
	<u>17,702</u>	<u>7,403</u>
	<u>50,144</u>	<u>25,826</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 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
0–30 days	12,181	8,586
31–60 days	16,743	8,133
61–90 days	329	30
91–180 days	20	46
181–365 days	7	265
Over 365 days	111	276
	<u>29,391</u>	<u>17,336</u>

12. TRADE AND OTHER PAYABLES

	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
Trade payables	3,723	3,985
Salary and welfare payables	4,431	4,299
Accrued advertising expenses	9,792	3,697
Other payables and accruals	2,918	1,830
	<u>20,864</u>	<u>13,811</u>
Financial liabilities measured at amortised cost		

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 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
0–30 days	977	1,234
31–60 days	1,043	1,091
61–90 days	958	649
91–180 days	322	488
181–365 days	93	242
Over 365 days	330	281
	<u>3,723</u>	<u>3,985</u>

13. SECURED BANK LOANS

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

	As at 30 September 2014 HK\$'000 (unaudited)	As at 31 March 2014 HK\$'000 (audited)
Carrying amount of bank loans that contain a repayment on demand clause:		
Repayable within one year	567	559
Repayable after one year (shown under current liabilities)	<u>2,103</u>	<u>2,388</u>
	<u><u>2,670</u></u>	<u><u>2,947</u></u>

The secured bank loans of the Group are secured by the leasehold land and buildings with carrying amount of HK\$6,031,000 as at 30 September 2014 (as at 31 March 2014: HK\$6,123,000).

14. SHARE CAPITAL

Unaudited	Notes	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\$
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)	<u>–</u>	<u>962,000,000</u>	<u>9,620,000.00</u>
At 31 March 2014, 1 April 2014 and 30 September 2014		<u><u>–</u></u>	<u><u>1,000,000,000</u></u>	<u><u>10,000,000.00</u></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
Capitalisation issue	(e)	–	384,400,000	3,844,000.00
Issuance of new shares by way of placing	(f)	<u>–</u>	<u>129,600,000</u>	<u>1,296,000.00</u>
At 31 March 2014, 1 April 2014 and 30 September 2014		<u><u>–</u></u>	<u><u>515,000,000</u></u>	<u><u>5,150,000.00</u></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 resolution of 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 of directors, being the chief operating decision maker (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

- Trading of goods comprise the trading and sales of health supplements
- Trading of goods comprise the trading 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 months ended 30 September 2013 and 2014 are set out below:

	For the six months ended 30 September 2014 (unaudited)							
	Proprietary brands		Private label brands		Trading of goods		Other items	Total
	Health supplements	Beauty supplements and products	Health supplements	Beauty supplements and products	Health supplements	Beauty supplements and products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	60,620	16,172	19,691	1,854	588	133	455	99,513
Cost of sales	(12,482)	(5,628)	(2,976)	(241)	(169)	(56)	(105)	(21,657)
Gross profit	48,138	10,544	16,715	1,613	419	77	350	77,856
Selling and distribution expenses	(19,530)	(4,629)	(2,851)	(328)	(73)	(4)	-	(27,415)
Administrative expenses	(3,348)	(132)	(4,848)	(279)	(210)	-	-	(8,817)
Segment results	<u>25,260</u>	<u>5,783</u>	<u>9,016</u>	<u>1,006</u>	<u>136</u>	<u>73</u>	<u>350</u>	<u>41,624</u>
Other revenue and other net income								256
Unallocated head office and corporate expenses								(30,768)
Finance costs								(88)
Profit before taxation								<u>11,024</u>

	For the six months ended 30 September 2013 (unaudited)					
	Proprietary brands			Private label brands		
	Beauty		Beauty		Other items	Total
	Health supplements	and products	Health supplements	and products		
<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue from external customers	40,907	15,896	10,744	6,239	391	74,177
Cost of sales	<u>(8,876)</u>	<u>(5,299)</u>	<u>(1,678)</u>	<u>(1,677)</u>	<u>(51)</u>	<u>(17,581)</u>
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	<u>(2,975)</u>	<u>(255)</u>	<u>(3,515)</u>	<u>(485)</u>	<u>-</u>	<u>(7,230)</u>
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						<u>(49)</u>
Profit before taxation						<u>5,954</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	
	For the six months ended	
	30 September	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Proprietary brands		
Health supplements	211	125
Beauty supplements and products	41	49
Private label brands		
Health supplements	50	33
Beauty supplements and products	5	19
Trading of goods		
Health supplements	1	–
Beauty supplements and products	1	–
Unallocated	745	602
	<u>1,054</u>	<u>828</u>

(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	
	2014	2013
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong	98,456	73,961
Taiwan	1,057	216
	<u>99,513</u>	<u>74,177</u>

Non-current assets

	As at 30 September 2014 <i>HK\$'000</i> (unaudited)	As at 31 March 2014 <i>HK\$'000</i> (audited)
Hong Kong	17,307	17,659
Taiwan	128	120
	<u>17,435</u>	<u>17,779</u>

(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	
	2014 <i>HK\$'000</i> (unaudited)	2013 <i>HK\$'000</i> (unaudited)
Customer A (<i>note (i)</i>)	<u>72,995</u>	<u>53,470</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 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 30 September 2014 HK\$'000 (unaudited)	As at 31 March 2014 HK\$'000 (audited)
Within one year	1,710	411
In the second to fifth year, inclusive	<u>1,952</u>	<u>57</u>
	<u>3,662</u>	<u>468</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. 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 during the period:

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	
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)
Short-term employee benefits	5,917	3,762
Post-employment benefits	<u>74</u>	<u>55</u>
	<u>5,991</u>	<u>3,817</u>

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 mainly sold under its proprietary brands and private label brands specifically developed for and owned by the Distribution Facilitator in Hong Kong and Macau. 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

Three months ended 30 September 2014 compared with three months ended 30 September 2013

The Group's net profit increased by approximately HK\$1.2 million or 30.8% from approximately HK\$3.9 million to HK\$5.1 million for each of the three months ended 30 September 2013 and 2014. EBIT of the Group amounted to approximately HK\$6.2 million for the three months ended 30 September 2014 against EBIT of approximately HK\$5.4 million for the same period last year; while the adjusted EBIT decreased from approximately HK\$9.4 million to HK\$7.3 million as follows:

	For the three months ended		
	30 September		
	2014	2013	% change
	HK\$'000	HK\$'000	
	(unaudited)	(unaudited)	
EBIT (<i>Note</i>)	6,224	5,414	15.0%
Adjusted for significant one-off expenses of the Group as follows:			
Listing expenses	–	3,980	-100%
Equity-settled share-based payments	1,075	–	N/A
Adjusted EBIT	<u>7,299</u>	<u>9,394</u>	<u>-22.3%</u>

Note: EBIT represents earnings before finance costs and taxation.

Turnover

The Group's turnover increased by approximately HK\$9.9 million or 23.7% from approximately HK\$41.8 million to HK\$51.7 million for each of the three months ended 30 September 2013 and 2014.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$8.5 million or 26.0% from approximately HK\$32.7 million to HK\$41.2 million for each of the three months ended 30 September 2013 and 2014. The Group's gross profit margin increased by 1.3 percentage points from 78.4% to 79.7% for each of the three months ended 30 September 2013 and 2014.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK\$2.9 million or 24.6% from approximately HK\$11.8 million to HK\$14.7 million for each of the three months ended 30 September 2013 and 2014. It was primarily attributable to (i) the increase in advertising and promotion expenses to promote sales in Hong Kong 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. In September 2014, the Group took up the opportunity to promote the Royal Medic brand by becoming the title sponsor of the prime time television soap-opera — “The Grand Apothecary”, which was broadcast during the period from 8 September 2014 to 17 October 2014. The title sponsorship contributed to the increase in advertising and promotion expenses. The Group intends to continue its emphasis and efforts in marketing and promoting its brands and products, which will be reflected accordingly in the Group's advertising and promotion expenses.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$5.5 million or 40.1% from approximately HK\$13.7 million to HK\$19.2 million for each of the three months ended 30 September 2013 and 2014. It was primarily attributable to increased (i) salaries costs as a result of salary adjustment and increase in headcounts, (ii) consultancy fees related to product development and overseas development, (iii) research and development costs related to preliminary clinical trials and product functionality test, (iv) rental expense on special designated counters (“SDCs”) and (v) professional and advisory fees.

Equity-settled share-based payments

During the three months ended 30 September 2014, the Group recognised a total expense of approximately HK\$1.1 million in relation to the share options granted by the Company to a consultant. The Group entered into an agreement with a consultant, with a term of one year, to promote the Group's brands and products in the People's Republic of China (the “PRC”).

Taxation

The Group's taxation decreased by approximately HK\$0.4 million or 26.7% from approximately HK\$1.5 million to HK\$1.1 million for each of the three months ended 30 September 2013 and 2014.

Profit for the period

As a result of the foregoing factors, the Group's net profit increased by approximately HK\$1.2 million or 30.8% from approximately HK\$3.9 million to HK\$5.1 million for each of the three months ended 30 September 2013 and 2014.

Six months ended 30 September 2014 compared with six months ended 30 September 2013

The Group's net profit increased by approximately HK\$4.7 million or 111.9% from approximately HK\$4.2 million to HK\$8.9 million for each of the six months ended 30 September 2013 and 2014. EBIT of the Group amounted to approximately HK\$11.1 million for the six months ended 30 September 2014 against EBIT of approximately HK\$6.0 million for the same period last year; while the adjusted EBIT increased from approximately HK\$10.3 million to HK\$12.2 million as follows:

	For the six months ended 30 September		
	2014 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	% change
EBIT	11,112	6,003	85.1%
Adjusted for significant one-off expenses of the Group as follows:			
Listing expenses	–	4,252	-100%
Equity-settled share-based payments	1,075	–	N/A
Adjusted EBIT	<u>12,187</u>	<u>10,255</u>	<u>18.8%</u>

Turnover

The Group's turnover increased by approximately HK\$25.3 million or 34.1% from approximately HK\$74.2 million to HK\$99.5 million for each of the six months ended 30 September 2013 and 2014. The Group's revenue attributable to health supplements increased by approximately HK\$29.2 million or 56.5% from approximately HK\$51.7 million to HK\$80.9 million, while its revenue attributable to beauty supplements and products decreased by approximately HK\$3.9 million or 17.6% from approximately HK\$22.1 million to HK\$18.2 million, for each of the six months ended 30 September 2013 and 2014.

The Group's revenue attributable to proprietary brands health supplements increased by approximately HK\$19.7 million or 48.2% from approximately HK\$40.9 million to HK\$60.6 million for each of the six months ended 30 September 2013 and 2014. The increase was primarily due to increase in sales of the Royal Medic brand products.

Revenue attributable to proprietary brands beauty supplements and products increased by approximately HK\$0.3 million or 1.9% from approximately HK\$15.9 million to HK\$16.2 million for each of the six months ended 30 September 2013 and 2014.

Revenue attributable to private label brands health supplements increased by approximately HK\$8.9 million or 82.4% from approximately HK\$10.8 million to HK\$19.7 million for each of the six months ended 30 September 2013 and 2014. The increase in revenue attributable to private label brands was primarily due to (i) the expansion of the product range and (ii) several existing popular private label brands products, which previously were only sold at SDCs, were introduced to be sold on shelves as well in the stores of the Distribution Facilitator.

Revenue attributable to private label brands beauty supplements and products decreased by approximately HK\$4.3 million or 69.4% from approximately HK\$6.2 million to HK\$1.9 million for each of the six months ended 30 September 2013 and 2014. The decrease was primarily due to the Group focused its product development in other segments during the period under review.

Gross profit and gross profit margin

The Group's gross profit increased by approximately HK\$21.3 million or 37.6% from approximately HK\$56.6 million to HK\$77.9 million for each of the six months ended 30 September 2013 and 2014. The Group's gross profit margin increased by 1.9 percentage points from 76.3% to 78.2% for each of the six months ended 30 September 2013 and 2014.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK\$5.8 million or 26.6% from approximately HK\$21.8 million to HK\$27.6 million for each of the six months ended 30 September 2013 and 2014. The increase was primarily attributable to (i) the increase in advertising and promotion expenses to promote sales in Hong Kong 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. In September 2014, the Group took up the opportunity to promote the Royal Medic brand by becoming the title sponsor of the prime time television soap-opera — "The Grand Apothecary", which was broadcast during the period from 8 September 2014 to 17 October 2014. The title sponsorship contributed to the increase in advertising and promotion expenses. The Group intends to continue its emphasis and efforts in marketing and promoting its brands and products, which will be reflected accordingly in the Group's advertising and promotion expenses.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$11.5 million or 42.9% from approximately HK\$26.8 million to HK\$38.3 million for each of the six months ended 30 September 2013 and 2014. It was primarily attributable to increased (i) salaries costs as a result of salary adjustment and increase in headcounts, (ii) consultancy fees related to product development and overseas development, (iii) research and development costs related to preliminary clinical trials and product functionality test, (iv) rental expense on SDCs and (v) professional and advisory fees.

Equity-settled share-based payments

During the six months ended 30 September 2014, the Group recognised a total expense of approximately HK\$1.1 million in relation to the share options granted by the Company to a consultant. The Group entered into an agreement with a consultant, with a term of one year, to promote the Group's brand and products in the PRC.

Taxation

The Group's taxation increased by approximately HK\$0.4 million or 22.2% from approximately HK\$1.8 million to HK\$2.2 million for each of the six months ended 30 September 2013 and 2014.

Profit for the period

As a result of the foregoing factors, the Group's net profit increased by approximately HK\$4.7 million from approximately HK\$4.2 million to HK\$8.9 million for each of the six months ended 30 September 2013 and 2014.

FINANCIAL POSITION AND LIQUIDITY

As at 30 September 2014, cash and bank balances of the Group amounted to approximately HK\$99.4 million (As at 31 March 2014: HK\$123.3 million). The current ratio (current asset divided by current liabilities) of the Group was 9.3 and 6.4 times as at 31 March 2014 and 30 September 2014, respectively. The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 1.7% as at 30 September 2014 (As at 31 March 2014: approximately 1.8%). 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 2014, the Group has unutilised general banking facilities of approximately HK\$13.2 million. The Group is exposed to foreign currency risk primarily through 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.

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 2014 and 31 March 2014, the Group had 148 and 173 employees, respectively. For the six months ended 30 September 2014, staff cost including directors' remuneration was approximately HK\$28.3 million (six months ended 30 September 2013: HK\$20.9 million).

OUTLOOK

Marketing and promotion activities in Hong Kong

The Group will continue to drive turnover growth by placing strong emphasis on a multi-faceted marketing strategy through utilising various media and channels, such as television commercials, printed media, digital media, outdoor advertising, in-store promotion, the Wisdom Club and product road shows. The Group is expected to continue to run its advertising and promotion expenses at the current level.

Recent street blockades by protesters who ask for universal suffrage in Hong Kong have affected certain districts, including Central, Admiralty, Causeway Bay, Mong Kok and Tsim Sha Tsui. Certain stores of the Distribution Facilitator needed to close for business at times when the protests escalated. This may also have longer lasting effects to the retail sector in Hong Kong and as a result, the Group believes that the protests may affect its sales to certain extent. The Group will stay alert on the development of the protests.

In addition, since June 2014, the Group has started a feasibility study, with the intention to develop products such as herbal tea, herbal jelly and snacks for the Hong Kong market.

Collaboration with CUCAMed Company Limited

The collaboration with CUCAMed Company Limited ("CUMAMed"), a wholly owned subsidiary of the Chinese University of Hong Kong Foundation Limited, not only enhances the product portfolio of the Group but also increases the brand recognition of Royal Medic. The Group will continue to develop and promote products under the brand "LEGEND".

Overseas markets

As stated in the Prospectus, according to Ipsos, the total retail sales of the health supplements market in Taiwan increased from approximately NT\$42.4 billion in 2007 to approximately NT\$62.1 billion in 2012. It is expected that the total retailed sales of health supplements market in Taiwan will continue to grow from 2013 to 2015. However, the Group's revenue generated in Taiwan for the six months ended 30 September 2014 was only approximately HK\$1.1 million.

In order to improve the sales performance and reduce costs in Taiwan, the Group started negotiations with potential distributors in Taiwan to promote and sell the Group's products. At the same time, the Group's products will continue to be sold in the stores of the distribution facilitator in Taiwan ("Taiwan Distribution Facilitator"), on a non-exclusive basis, without the use of promoters. The Group discontinued the use of promoters in the Taiwan Distribution Facilitator's stores in October 2014. The Group will continue on the negotiations with potential distributors.

The Group also explores opportunities in the PRC and other overseas markets in southeast Asian countries.

Save as disclosed above, there were no important events affecting the Group which have occurred since the end of the six months ended 30 September 2014.

MATERIAL ACQUISITIONS OR DISPOSALS

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

CONTINGENT LIABILITIES

As at 30 September 2014 and 31 March 2014, the Group had no material contingent liabilities.

CHARGES ON ASSETS

As at 30 September 2014 and 31 March 2014, the Group had secured bank loans of approximately HK\$2.7 million and approximately HK\$2.9 million, respectively. The banking facilities are secured by the Group's land and buildings, having carrying amount of approximately HK\$6.0 million and approximately HK\$6.1 million as at 30 September 2014 and 31 March 2014, respectively.

CAPITAL COMMITMENT

As at 30 September 2014 and 31 March 2014, the Group did not have significant capital commitment.

INTERIM DIVIDEND

The Board does not recommend any payment of an interim dividend for the six months ended 30 September 2014 (six months ended 30 September 2013: Nil).

BUSINESS OBJECTIVES AND USE OF PROCEEDS

Comparison of Business Objectives with Actual Business Progress

An analysis comparing the business objectives as stated in the Prospectus with the Group's actual business progress for the period from 1 April 2014 to 30 September 2014 is set out as below:

Business objectives for the period from 1 April 2014 to 30 September 2014 as stated in the Prospectus	Actual business progress up to 30 September 2014
Expansion of distribution network	
Set up about 1–3 new SDCs	The Group continues to identify suitable stores of the Distribution Facilitator to set up SDCs. One Health Proof SDC was set up during the six months ended 30 September 2014. The Group had 27 SDCs including 14 Royal Medic SDCs and 13 Health Proof SDCs as at 30 September 2014.
Employ more promoters	The Group continues to employ promoters and employed 99 promoters as at 30 September 2014.
Collaboration with CUCAMed to develop products	
Launch more new health supplements under the brand of “LEGEND”	Two health supplements under “LEGEND” were launched during the six months ended 30 September 2014.
Engaging brand ambassadors to promote the products	The Group engaged one new brand ambassador to promote the products under “LEGEND” in April 2014.
Strengthen the Group's branding and marketing strategies through various media and channels	Printed media coverage was published in April 2014 in respect of the press interview with CUCAMed. Television commercials for the three products launched under “LEGEND” was produced. The marketing campaigns for “LEGEND” were launched, including television commercials, printed advertisements and in-store promotions.

Business objectives for the period from 1 April 2014 to 30 September 2014 as stated in the Prospectus

Actual business progress up to 30 September 2014

Expanding overseamarkets	Engaging brand ambassadors in Taiwan	The Group continues the engagement of one brand ambassador who is well-known amongst the Taiwanese consumers to promote the Group's products in Taiwan. One brand ambassador's contract expired in June 2014.
	Recruiting more promoters and strengthen the Group's branding and marketing strategies through various media and channels in Taiwan	<p>The Group employed promoters to station at the selected stores of the Taiwan Distribution Facilitator until October 2014.</p> <p>The Group's revenue generated in Taiwan for the six months ended 30 September 2014 was only approximately HK\$1.1 million. In order to improve the sales performance and reduce costs in Taiwan, the Group started negotiations with potential distributors in Taiwan to promote and sell the Group's products. At the same time, the Group's product will continue to be sold in the Taiwan Distribution Facilitator's stores, on a non-exclusive basis, without the use of promoters.</p>
Enhancing the Group's marketing and promotion activities in Hong Kong	Engaging brand ambassadors in Hong Kong	The Group continues the engagement of brand ambassadors to promote the Group's products in Hong Kong.
	Strengthen the Group's branding and marketing strategies through various media and channels in Hong Kong	The Group continues to promote its products through various media and channels, such as television commercials and printed media, in Hong Kong. In September 2014, the Group took up the opportunity to promote the Royal Medic brand by becoming the title sponsor of the prime time television soap-opera — "The Grand Apothecary" which was broadcast during the period from 8 September 2014 to 17 October 2014.
	Engaging a reputable university to conduct preliminary clinical trials	The Group continues its collaboration with universities including the engagement of universities to (i) conduct preliminary clinical trial on one product, (ii) testing functionalities of the active ingredient of a product under development and (iii) report on the comparison of the functionalities between Cordyceps and Royal Medic No. 1 Chinese Cs-4.

The planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions and development made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development of the market. During the period from 1 April 2014 to 30 September 2014, the net proceeds from issuance of new shares of the Company by way of placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus		Actual use of proceeds		
	1 April 2014 to 30 September 2014 <i>HK\$'000</i>	11 October 2013 to 31 March 2014 <i>HK\$'000</i>	1 April 2014 to 30 September 2014 <i>HK\$'000</i>	Total amount utilised up to 30 September 2014 <i>HK\$'000</i>	
Expansion of distribution network	5,950	400	–	–	–
Collaboration with CUCAMed to develop products	47,600	5,100	–	5,100	5,100
Expanding overseas markets	41,650	5,583	271	–	271
Enhancing the Group's marketing and promotion activities in Hong Kong	13,090	2,310	4,321	2,310	6,631
General working capital	10,710	2,500	2,500	2,500	5,000
	<u>119,000</u>	<u>15,893</u>	<u>7,092</u>	<u>9,910</u>	<u>17,002</u>

The Group may face challenges in implementing its statement of business objectives

The success of the Group's operations depends on, among other things, the proper and timely execution of the Group's future business plans. The Group's future business strategies are described in the paragraph headed "Implementation Plan" under section headed "Future Plans and Use of Proceeds" in the Prospectus. The Group endeavours to achieve its business objectives and adopts the business strategies in accordance with the schedule set out in the paragraph headed "Implementation plan" in the same section. The respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Bases and Assumptions" in the same section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed "Risk Factors" in the Prospectus. Therefore, there is no assurance that the Group's business plans will materialise in accordance with the estimated time frame and that the Group's future plans will be accomplished at all.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

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 2014 (six months ended 30 September 2013: 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 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 is the chairman of the Board and the chief executive officer of the Company. Mr. Chan 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 nine years. The Board therefore considers that it is beneficial to and in the interest of the Group for Mr. Chan 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 2014, he or she has fully complied with the required standard of dealings and there is no event of non-compliance.

INTEREST OF THE COMPLIANCE ADVISERS

As notified by WAG Worldsec Corporate Finance Limited ("WAG"), the Company's compliance adviser, neither WAG nor its directors or employees or close associates had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 30 September 2014.

Pursuant to the agreement dated 9 October 2013 entered into between WAG and the Company, WAG received and will receive fees for acting as the Company's compliance adviser.

AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee"), is comprised of the three independent non-executive Directors, namely Mr. CHENG Kwok Kin, Paul, Prof. NG Ka Ming and Mr. WEI Jianan, with written terms of reference in compliance with the GEM Listing Rules. Mr. CHENG acts as the chairman of the Audit Committee. 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 period ended 30 September 2014 (the "2014/2015 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 2014/2015 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, 11 November 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.