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RM GROUP HOLDINGS LIMITED

御藥堂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8185)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

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 2015

	Notes	For the three months ended 30 September		For the six months ended 30 September	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
REVENUE	4	58,434	51,711	97,243	99,513
Cost of sales		<u>(13,322)</u>	<u>(10,486)</u>	<u>(22,553)</u>	<u>(21,657)</u>
GROSS PROFIT		45,112	41,225	74,690	77,856
Other revenue and other net income		1,938	29	2,064	256
Selling and distribution expenses		(10,282)	(14,706)	(19,704)	(27,605)
Administrative expenses		(24,009)	(19,249)	(43,652)	(38,320)
Equity-settled share-based payments		<u>–</u>	<u>(1,075)</u>	<u>–</u>	<u>(1,075)</u>
PROFIT FROM OPERATIONS		12,759	6,224	13,398	11,112
Finance costs	5(c)	<u>(78)</u>	<u>(61)</u>	<u>(98)</u>	<u>(88)</u>
PROFIT BEFORE TAXATION	5	12,681	6,163	13,300	11,024
Taxation	6	<u>(2,602)</u>	<u>(1,068)</u>	<u>(2,738)</u>	<u>(2,169)</u>
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		10,079	5,095	10,562	8,855
OTHER COMPREHENSIVE LOSS FOR THE PERIOD					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences arising on translation of foreign operations		<u>(285)</u>	<u>(29)</u>	<u>(268)</u>	<u>(43)</u>
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>9,794</u>	<u>5,066</u>	<u>10,294</u>	<u>8,812</u>
EARNINGS PER SHARE					
BASIC (HK CENTS PER SHARE)	8	<u>1.95</u>	<u>0.99</u>	<u>2.05</u>	<u>1.72</u>
DILUTED (HK CENTS PER SHARE)	8	<u>1.95</u>	<u>0.99</u>	<u>2.03</u>	<u>1.71</u>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2015

		As at 30 September 2015 <i>HK\$'000</i> (unaudited)	As at 31 March 2015 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	9	53,672	17,615
Intangible assets	10	767	629
Prepayments and deposits	11	2,457	2,817
		56,896	21,061
Current assets			
Inventories		20,041	16,143
Trade and other receivables	11	56,034	63,538
Cash and cash equivalents		118,190	98,913
Bank deposits with maturity greater than three months		–	10,088
		194,265	188,682
Current liabilities			
Trade and other payables	12	20,989	18,970
Bank loans and overdrafts	13	42,650	3,731
Tax payable		5,739	4,251
Provisions		1,614	1,512
		70,992	28,464
Non-current liabilities			
Deferred tax liabilities		366	366
		366	366
Net assets		179,803	180,913
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	5,163	5,155
Reserves		174,640	175,758
TOTAL EQUITY		179,803	180,913

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	Attributable to owners of the Company						
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	Total HK\$'000
At 1 April 2015 (audited)	5,155	123,890	(10)	(161)	8,161	43,878	180,913
Profit for the period	-	-	-	-	-	10,562	10,562
Other comprehensive loss:							
Exchange difference arising on translation of foreign operations	-	-	-	(268)	-	-	(268)
Total comprehensive income for the period	-	-	-	(268)	-	10,562	10,294
Dividends approved in respect of the year ended 31 March 2015 (note 7)	-	-	-	-	-	(12,908)	(12,908)
Deemed contribution (note 16)	-	-	-	-	-	192	192
Share options lapsed	-	-	-	-	(1,075)	1,075	-
Shares issued under share option scheme	8	1,526	-	-	(222)	-	1,312
At 30 September 2015 (unaudited)	<u>5,163</u>	<u>125,416</u>	<u>(10)</u>	<u>(429)</u>	<u>6,864</u>	<u>42,799</u>	<u>179,803</u>
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 approved in respect of the year ended 31 March 2014 (note 7)	-	-	-	-	-	(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>

CONDENSED INTERIM CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

	For the six months ended	
	30 September	
	2015	2014
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Operating activities		
Cash generated from/(used in) operations	20,715	(3,278)
Hong Kong Profits Tax refunded	–	874
People's Republic of China (the "PRC") Enterprise Income Tax paid	(1,222)	–
	<hr/>	<hr/>
Net cash generated from/(used in) operating activities	19,493	(2,404)
Investing activities		
Purchase of property, plant and equipment	(969)	(713)
Purchase of intangible assets	(200)	–
Release of bank deposits with maturity greater than three months	10,088	–
Payment for acquisition of a subsidiary, net of cash acquired	(19,323)	–
Bank interest received	53	194
	<hr/>	<hr/>
Net cash used in investing activities	(10,351)	(519)
Financing activities		
Repayment of secured bank loans	(2,535)	(277)
Proceeds from secured bank loans	26,000	–
Dividends paid to owners of the Company	(12,908)	(20,600)
Interest paid	(98)	(88)
Proceeds from shares issued under share option scheme	1,312	–
	<hr/>	<hr/>
Net cash generated from/(used in) financing activities	11,771	(20,965)
Net increase/(decrease) in cash and cash equivalents	20,913	(23,888)
Cash and cash equivalents at beginning of the period	97,570	123,299
Effect of foreign exchange rate changes	(293)	(43)
	<hr/>	<hr/>
Cash and cash equivalents at end of the period	118,190	99,368
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NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2015

1. CORPORATE INFORMATION

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

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

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 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2015.

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 2015.

Amendments to HKAS 19	Defined Benefit Plans: Employee Contributions
Amendments to HKFRSs	Annual Improvements to HKFRSs 2010–2012 Cycle
Amendments to HKFRSs	Annual Improvements to HKFRSs 2011–2013 Cycle

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. REVENUE

The Group is principally engaged in the sales, marketing and distribution of health and beauty supplements and products mainly in Hong Kong, Taiwan and the PRC. 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.

Revenue represents the invoiced value of sales of health and beauty supplements and products, less sales returns and discounts and value-added tax and other sales taxes for the period. An analysis of revenue is as follows:

	For the three months ended 30 September		For the six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Health supplements	49,334	42,559	79,741	80,899
Beauty supplements and products	8,703	8,983	16,747	18,159
Others	397	169	755	455
	<u>58,434</u>	<u>51,711</u>	<u>97,243</u>	<u>99,513</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	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
(a) Staff costs:				
Salaries, allowances, and other benefits (including directors' remuneration)	12,292	13,447	24,336	27,391
Contributions to defined contribution retirement plans	520	471	1,016	945
	<u>12,812</u>	<u>13,918</u>	<u>25,352</u>	<u>28,336</u>
(b) Other items:				
Auditors' remuneration	415	345	610	520
Cost of inventories (<i>note</i>)	13,322	10,486	22,553	21,657
Depreciation on property, plant and equipment	603	512	1,131	997
Amortisation of intangible assets	33	28	62	57
Provision for goods returns	545	242	965	543
Exchange gain, net	(79)	(13)	(73)	(37)
Operating lease charges: minimum lease payment	1,028	249	2,022	424
Net gain on disposal of a subsidiary (<i>note 17</i>)	(139)	–	(139)	–
Net loss on disposal of property, plant and equipment	–	3	78	3
Impairment loss on other receivables	1,886	–	1,886	–
Waiver of other payables	(1,276)	–	(1,276)	–
Research and development costs	664	784	1,024	1,538
Rent for special designated counters	6,287	4,780	12,279	9,036
	<u>6,287</u>	<u>4,780</u>	<u>12,279</u>	<u>9,036</u>
(c) Finance costs:				
Bank overdraft interest	–	42	4	49
Interest on bank loans	78	19	94	39
	<u>78</u>	<u>61</u>	<u>98</u>	<u>88</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>78</u>	<u>61</u>	<u>98</u>	<u>88</u>

Note:

For the six months ended 30 September 2015, cost of inventories includes HK\$2,683,000 (six months ended 30 September 2014: HK\$2,372,000) relating to staff costs, 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	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current tax				
Hong Kong Profits Tax	1,579	1,942	1,715	3,043
PRC Enterprise Income Tax	1,023	–	1,023	–
Overprovision in respect of prior years				
Hong Kong Profits Tax	–	(874)	–	(874)
	<u>2,602</u>	<u>1,068</u>	<u>2,738</u>	<u>2,169</u>

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 September 2014 and 2015.

The provision for PRC Enterprise Income Tax (the “EIT”) is calculated at the standard rate of 25% on the estimated assessable profit for the six months ended 30 September 2014 and 2015 as determined in accordance with the relevant income tax rules and regulations of the PRC.

No provision for profits tax in the Cayman Islands, the British Virgin Island (“BVI”), Malaysia and Taiwan have been made as the Group has no income assessable for tax in these jurisdictions during the six months ended 30 September 2014 and 2015.

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	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit before taxation	<u>12,681</u>	<u>6,163</u>	<u>13,300</u>	<u>11,024</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	2,441	1,012	2,514	1,810
Tax effect on non-taxable income	(407)	(65)	(427)	(96)
Tax effect on non-deductible expenses	476	322	555	421
Tax effect of tax losses not recognised	109	652	359	950
Others	22	21	(48)	(42)
Overprovision in respect of prior years	–	(874)	–	(874)
Utilisation of tax losses not previously recognised	(39)	–	(215)	–
Actual tax expense	<u>2,602</u>	<u>1,068</u>	<u>2,738</u>	<u>2,169</u>

7. DIVIDENDS

At a meeting held on 24 June 2014, the Board recommended the payment of a special dividend of HK4.0 cents per ordinary share of the Company (totalling 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 2014 Special Dividend was paid and reflected as an appropriation of retained earnings during the six months ended 30 September 2014.

At a meeting held on 19 June 2015, the Board recommended the payment of a final dividend of HK2.5 cents per ordinary share of the Company (totalling HK\$12,907,500) for the year ended 31 March 2015 (“2015 Final Dividend”) which was then approved by the shareholders of the Company in the annual general meeting held on 4 August 2015. The 2015 Final Dividend was paid and reflected as an appropriation of retained earnings during the six months ended 30 September 2015.

The board of directors does not recommend any payment of interim dividend for the six months ended 30 September 2015 (six months ended 30 September 2014: Nil).

8. EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares in issue calculated as follows:

(i) Profit for the period attributable to owners of the Company

	For the three months ended 30 September		For the six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit for the period	<u>10,079</u>	<u>5,095</u>	<u>10,562</u>	<u>8,855</u>

(ii) Weighted average number of ordinary shares of the Company (basic)

	For the three months ended 30 September		For the six months ended 30 September	
	2015 Number of shares (unaudited)	2014 Number of shares (unaudited)	2015 Number of shares (unaudited)	2014 Number of shares (unaudited)
Issued ordinary shares at beginning of the period	516,300,000	515,000,000	515,500,000	515,000,000
Effect of shares issued under share option scheme	<u>–</u>	<u>–</u>	<u>743,169</u>	<u>–</u>
Weighted average number of ordinary shares in issue at the end of the period	<u>516,300,000</u>	<u>515,000,000</u>	<u>516,243,169</u>	<u>515,000,000</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

(i) Profit for the period attributable to owners of the Company

	For the three months ended 30 September		For the six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit for the period	<u>10,079</u>	<u>5,095</u>	<u>10,562</u>	<u>8,855</u>

(ii) Weighted average number of ordinary shares of the Company (diluted)

	For the three months ended 30 September		For the six months ended 30 September	
	2015 Number of shares (unaudited)	2014 Number of shares (unaudited)	2015 Number of shares (unaudited)	2014 Number of shares (unaudited)
Weighted average number of ordinary shares (basic)	<u>516,300,000</u>	515,000,000	<u>516,243,169</u>	515,000,000
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>692,437</u>	<u>402,759</u>	<u>3,110,834</u>	<u>1,469,925</u>
Weighted average number of ordinary shares at the end of the period (diluted)	<u>516,992,437</u>	<u>515,402,759</u>	<u>519,354,003</u>	<u>516,469,925</u>

9. PROPERTY, PLANT AND EQUIPMENT

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Carrying amount at 1 April	17,615	17,036
Additions during the period/year	969	2,768
Additions through acquisition of a subsidiary during the period (note 16)	36,300	–
Depreciation provided during the period/year	(1,131)	(2,186)
Disposals during the period/year	(112)	(4)
Written back on disposals during the period/year	34	1
Exchange adjustments	(3)	–
Carrying amount at 30 September/31 March	<u>53,672</u>	<u>17,615</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 and overdrafts were secured by the Group's leasehold land and buildings held for own use with carrying amount of HK\$48,290,000 as at 30 September 2015 (as at 31 March 2015: HK\$5,939,000).

10. INTANGIBLE ASSETS

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Carrying amount at 1 April	629	743
Additions during the period/year	200	–
Amortisation provided during the period/year	<u>(62)</u>	<u>(114)</u>
Carrying amount at 30 September/31 March	<u><u>767</u></u>	<u><u>629</u></u>

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

11. TRADE AND OTHER RECEIVABLES

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Trade receivables	40,574	47,853
Less: Allowance for doubtful debts	<u>(97)</u>	<u>(102)</u>
Other receivables	<u>40,477</u> <u>1,569</u>	<u>47,751</u> <u>1,538</u>
Loans and receivables	<u>42,046</u>	<u>49,289</u>
Prepayments	9,079	9,684
Deposits	<u>7,366</u>	<u>7,382</u>
	<u>16,445</u>	<u>17,066</u>
	<u><u>58,491</u></u>	<u><u>66,355</u></u>

	As at 30 September 2015 <i>HK\$'000</i> (unaudited)	As at 31 March 2015 <i>HK\$'000</i> (audited)
Analysis of trade and other receivables:		
Non-current portion	2,457	2,817
Current portion	<u>56,034</u>	<u>63,538</u>
	<u>58,491</u>	<u>66,355</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 2015 <i>HK\$'000</i> (unaudited)	As at 31 March 2015 <i>HK\$'000</i> (audited)
0–30 days	26,034	39,374
31–60 days	12,434	7,728
61–90 days	1,271	5
91–180 days	93	252
181–365 days	578	25
Over 365 days	<u>67</u>	<u>367</u>
	<u>40,477</u>	<u>47,751</u>

12. TRADE AND OTHER PAYABLES

	As at 30 September 2015 <i>HK\$'000</i> (unaudited)	As at 31 March 2015 <i>HK\$'000</i> (audited)
Trade payables	6,330	5,965
Salary and welfare payables	4,686	4,605
Accrued advertising expenses	5,221	4,548
Other payables and accruals	<u>4,752</u>	<u>3,852</u>
Financial liabilities measured at amortised cost	<u>20,989</u>	<u>18,970</u>

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

	As at 30 September 2015 <i>HK\$'000</i> (unaudited)	As at 31 March 2015 <i>HK\$'000</i> (audited)
0–30 days	4,162	3,577
31–60 days	1,543	653
61–90 days	554	595
91–180 days	–	1,091
181–365 days	22	–
Over 365 days	49	49
	<u>6,330</u>	<u>5,965</u>

13. BANK LOANS AND OVERDRAFTS

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

	As at 30 September 2015 <i>HK\$'000</i> (unaudited)	As at 31 March 2015 <i>HK\$'000</i> (audited)
Carrying amount of bank loans and overdrafts that contain a repayment on demand clause:		
Repayable within one year	8,193	1,918
Repayable after one year (shown under current liabilities)	34,457	1,813
	<u>42,650</u>	<u>3,731</u>

At 30 September 2015 and 31 March 2015, the bank loans and overdrafts were analysed as follows:

	As at 30 September 2015 <i>HK\$'000</i> (unaudited)	As at 31 March 2015 <i>HK\$'000</i> (audited)
Secured bank overdrafts	–	1,343
Secured bank loans	42,650	2,388
	<u>42,650</u>	<u>3,731</u>

The secured bank loans and overdrafts of the Group are secured by the leasehold land and buildings with carrying amount of HK\$48,290,000 as at 30 September 2015 (as at 31 March 2015: HK\$5,939,000).

14. SHARE CAPITAL

	As at 30 September 2015		As at 31 March 2015	
	Number of shares '000	Amount HK\$'000	Number of shares '000	Amount HK\$'000
Authorised:				
Ordinary shares of HK\$0.01 each	<u>1,000,000</u>	<u>10,000</u>	<u>1,000,000</u>	<u>10,000</u>
Issued and fully paid:				
At the beginning of the period/year	<u>515,500</u>	<u>5,155</u>	515,000	5,150
Shares issued under share option scheme (<i>note</i>)	<u>800</u>	<u>8</u>	<u>500</u>	<u>5</u>
At the end of the period/year	<u>516,300</u>	<u>5,163</u>	<u>515,500</u>	<u>5,155</u>

Note:

On 14 April 2015, share options were exercised to subscribe for 800,000 ordinary shares in the Company at a consideration of HK\$1,312,000, of which HK\$8,000 was credited to share capital and the balance of HK\$1,304,000 was credited to the share premium account. HK\$222,000 has been transferred from the share option reserve to the share premium account.

On 11 March 2015, share options were exercised to subscribe for 500,000 ordinary shares in the Company at a consideration of HK\$820,000, of which HK\$5,000 was credited to share capital and the balance of HK\$815,000 was credited to the share premium account. HK\$139,000 has been transferred from the share option reserve to the share premium account.

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 2014 and 2015 are set out below:

	For the six months ended 30 September 2015 (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	55,000	16,040	24,268	657	473	50	755	97,243
Cost of sales	(12,748)	(5,985)	(3,350)	(186)	(128)	(21)	(135)	(22,553)
Gross profit	42,252	10,055	20,918	471	345	29	620	74,690
Selling and distribution expenses	(13,181)	(3,084)	(3,114)	(77)	(56)	(2)	-	(19,514)
Administrative expenses	(2,964)	(106)	(8,517)	(239)	(237)	-	-	(12,063)
Segment results	<u>26,107</u>	<u>6,865</u>	<u>9,287</u>	<u>155</u>	<u>52</u>	<u>27</u>	<u>620</u>	<u>43,113</u>
Other revenue and other net income								2,064
Unallocated head office and corporate expenses								(31,779)
Finance costs								(98)
Profit before taxation								<u>13,300</u>

	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 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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Proprietary brands		
Health supplements	197	211
Beauty supplements and products	34	41
Private label brands		
Health supplements	64	50
Beauty supplements and products	2	5
Trading of goods		
Health supplements	1	1
Beauty supplements and products	1	1
Unallocated	894	745
	<u>1,193</u>	<u>1,054</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	
	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong	90,358	98,456
The PRC	6,698	–
Taiwan	187	1,057
	<u>97,243</u>	<u>99,513</u>

Non-current assets

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Hong Kong	56,520	20,782
The PRC	348	167
Taiwan	28	112
	<u>56,896</u>	<u>21,061</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	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Customer A (<i>note (i)</i>)	<u>65,253</u>	<u>72,995</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. PURCHASE OF ASSETS AND LIABILITIES THROUGH ACQUISITION OF A SUBSIDIARY

On 23 June 2015, the Group entered into sales and purchase agreement with Mr. Chan Yan Tak, a controlling shareholder and a director of the Company, to acquire assets and liabilities through the acquisition of 100% equity interest in Royal Richly (Hong Kong) Limited, for a total consideration of HK\$19,410,000. Royal Richly (Hong Kong) Limited is engaged in property investment. This transaction was approved by the Company's independent shareholders at the extraordinary general meeting held on 14 August 2015 and the transaction was completed on 11 September 2015.

This acquisition has been accounted for as purchase of assets and liabilities through acquisition of a subsidiary. The assets and liabilities arising from the acquisition were as follows:

	Carrying amount at 11 September 2015 <i>HK\$'000</i>	Fair value adjustment <i>HK\$'000</i>	Fair value at 11 September 2015 <i>HK\$'000</i>
Leasehold land and buildings held for own use (<i>note b</i>)	35,862	438	36,300
Cash and bank balances	87	–	87
Deposits and prepayments	56	–	56
Accruals	(44)	–	(44)
Bank loans	(16,797)	–	(16,797)
	<u>19,164</u>	<u>438</u>	<u>19,602</u>
Net assets acquired			19,602
Deemed contribution from a controlling shareholder (<i>note a</i>)			(192)
			<u>19,410</u>
Consideration represented:			
Cash consideration			<u>19,410</u>
Net cash outflow arising from the acquisition			
Cash consideration paid			(19,410)
Cash and bank balances			87
			<u>(19,323)</u>

Notes:

- (a) Pursuant to the sale and purchases agreement dated 23 June 2015, Royal Richly (Hong Kong) Limited was acquired from Mr. Chan Yan Tak, a controlling shareholder and a director of the Company. As the acquisition was transacted with the controlling shareholder of the Company, the difference of the consideration and the fair value of net assets acquired at the completion date of the acquisition was regarded as a deemed contribution from Mr. Chan Yan Tak and credited to reserves of the Company for the six months ended 30 September 2015.
- (b) The fair value of the leasehold land and buildings held for own use as at 11 September 2015 was based on the independent professional valuations performed by Ascent Partners Valuation Service Limited, a firm of independent qualified professional valuers, with the qualifications and experiences for similar properties in Hong Kong. The fair value of the leasehold land and buildings was recognised immediately prior to completion.

17. DISPOSAL OF A SUBSIDIARY

On 21 September 2015, the Group disposed of the entire issued share capital in Century Effort Limited (“Century Effort”) to M&H Company Limited, an independent third party, at a cash consideration of HK\$1.

The net liabilities of Century Effort at the date of disposal were as follows:

	<i>HK\$'000</i>
Consideration received:	
Cash received	—
	<hr/>
Analysis of assets and liabilities over which control was lost:	
Deposits and other receivables	(1,747)
Other payables	1,886
	<hr/>
	139
	<hr/>
Result on disposal of subsidiary:	
Consideration received	—
Net liabilities derecognised	139
	<hr/>
Gain on disposal	139
	<hr/>
Net cash flow arising on disposal:	
Cash consideration received	—
Cash and cash equivalents disposed of	—
	<hr/>
	—
	<hr/> <hr/>

18. OPERATING LEASE COMMITMENTS

The Group as lessee

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

	As at 30 September 2015 <i>HK\$'000</i> (unaudited)	As at 31 March 2015 <i>HK\$'000</i> (audited)
Within one year	1,805	3,649
In the second to fifth year, inclusive	<u>1,631</u>	<u>5,580</u>
	<u><u>3,436</u></u>	<u><u>9,229</u></u>

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

19. RELATED PARTY TRANSACTIONS

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

(a) 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	
	2015 <i>HK\$'000</i> (unaudited)	2014 <i>HK\$'000</i> (unaudited)
Short-term employee benefits	5,051	5,917
Post-employment benefits	<u>74</u>	<u>74</u>
	<u><u>5,125</u></u>	<u><u>5,991</u></u>

(b) Balances with related parties

The Group leases office premises from related parties as detailed in note 19(c)(i) and note 19(c)(ii) under operating lease arrangements with lease terms of one to three years. The terms of the leases require the Group to pay rental deposits to the lessors. The balances of the rental deposits as at 30 September 2015 and 31 March 2015 are detailed as follows:

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Mr. Cheng Jonathan Chung Shing	20	–
Great Victor Limited	29	–
	<u>20</u>	<u>–</u>

(c) Transactions with related parties

	For the six months ended 30 September	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Rental expenses paid to a related party (<i>note i</i>)	20	–
Rental expenses paid to Great Victor Limited (<i>note ii</i>)	44	–
	<u>20</u>	<u>–</u>

As at 30 September 2015 and 31 March 2015, the Group had total future minimum lease payables under non-cancellable operating lease falling due as follows:

	As at 30 September 2015 HK\$'000 (unaudited)	As at 31 March 2015 HK\$'000 (audited)
Within one year	294	–
In the second to fifth year	361	–
	<u>294</u>	<u>–</u>
	<u>655</u>	<u>–</u>

Notes:

- (i) The rental expenses were paid to Mr. Cheng Jonathan Chung Shing, a family member of an independent non-executive director, Mr. Cheng Kwok Kin, Paul.
- (ii) The rental expenses were paid to Great Victor Limited, a company wholly owned by Mr. Chan Yan Tak, an executive director of the Company.

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, Taiwan and the PRC. The Group's products are 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 three 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 2015 compared with three months ended 30 September 2014

Revenue

The Group recorded an unaudited revenue of approximately HK\$58.4 million for the three months ended 30 September 2015 (2014: HK\$51.7 million), representing an increase of approximately HK\$6.7 million or 13.0% over the corresponding period of last year. The Group's revenue attributable to health supplements increased by approximately HK\$6.7 million or 15.7% to HK\$49.3 million (2014: HK\$42.6 million), while its revenue attributable to beauty supplements and products decreased by approximately HK\$0.3 million or 3.3% to HK\$8.7 million (2014: HK\$9.0 million), for the three months ended 30 September 2015.

Gross profit and gross profit margin

Gross profit for the three months ended 30 September 2015 was approximately HK\$45.1 million (2014: HK\$41.2 million), representing an increase of approximately 9.5% over the corresponding period of last year. The gross profit margin of the Group for the three months ended 30 September 2015 was approximately 77.2% (2014: 79.7%), representing a decrease of approximately 2.5 percentage points over the corresponding period of last year. The aggregated sales to the distributors in the PRC for the three months ended 30 September 2015 amounted to approximately HK\$6.7 million (2014: Nil) with an average gross profit margin of approximately 66.0%, which contributed to the decrease in the gross profit margin.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$4.4 million or 29.9% to HK\$10.3 million for the three months ended 30 September 2015 (2014: HK\$14.7 million). It was primarily attributable to the drive for cost effectiveness in managing marketing expenses in both Hong Kong and Taiwan.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$4.8 million or 25.0% to HK\$24.0 million for the three months ended 30 September 2015 (2014: HK\$19.2 million). It was primarily attributable to the increase in rental expense and legal and professional fees in relation to the transfer of listing of the shares of the Company from GEM to the Main Board of the Stock Exchange.

Equity-settled share-based payments

During the three months ended 30 September 2015, the Company did not grant any share option. 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 in relation to an agreement with a term of one year, to promote the Group's brands and products in the PRC. The share options concerned lapsed without being exercised.

Profit for the period

As a result of the foregoing factors, the Group's net profit increased by approximately HK\$5.0 million to HK\$10.1 million for the three months ended 30 September 2015 (2014: HK\$5.1 million).

Six months ended 30 September 2015 compared with six months ended 30 September 2014

Revenue

The Group recorded an unaudited revenue of approximately HK\$97.2 million for the six months ended 30 September 2015 (2014: HK\$99.5 million), representing a decrease of approximately HK\$2.3 million or 2.3% over the corresponding period of last year. The Group's revenue attributable to health supplements decreased by approximately HK\$1.2 million or 1.5% to HK\$79.7 million (2014: HK\$80.9 million), while its revenue attributable to beauty supplements and products decreased by approximately HK\$1.5 million or 8.2% to HK\$16.7 million (2014: HK\$18.2 million), for the six months ended 30 September 2015.

The Group's revenue attributable to proprietary brands health supplements decreased by approximately HK\$5.6 million or 9.2% to HK\$55.0 million for the six months ended 30 September 2015 (2014: HK\$60.6 million). The decrease in revenue is attributable to different scheduling of one day special promotion events of health supplements being held in the six months ended 30 September 2015 as compared with those held in the six months ended 30 September 2014.

Revenue attributable to proprietary brands beauty supplements and products decreased by approximately HK\$0.2 million or 1.2% to HK\$16.0 million for the six months ended 30 September 2015 (2014: HK\$16.2 million).

Revenue attributable to private label brands health supplements increased by approximately HK\$4.6 million or 23.4% to HK\$24.3 million for the six months ended 30 September 2015 (2014: HK\$19.7 million). The increase in revenue attributable to private label brands was primarily due to the expansion of the product range and increase in the number of Health Proof special designated counters, which primarily sold health supplements.

Revenue attributable to private label brands beauty supplements and products decreased by approximately HK\$1.2 million or 63.2% to HK\$0.7 million for the six months ended 30 September 2015 (2014: HK\$1.9 million). The decrease is primarily due to the fact that the Group focused resources on marketing the Health Proof products, among the private label brands, which were primarily health supplements.

Revenue attributable to the trading of health supplements amounted to approximately HK\$473,000 for the six months ended 30 September 2015 (2014: HK\$588,000).

Revenue attributable to the trading of beauty supplements and products amounted to approximately HK\$50,000 for the six months ended 30 September 2015 (2014: HK\$133,000).

Gross profit and gross profit margin

Gross profit for the six months ended 30 September 2015 was approximately HK\$74.7 million (2014: HK\$77.9 million), representing a decrease of approximately 4.1% over the corresponding period of last year. The gross profit margin of the Group for the six months ended 30 September 2015 was approximately 76.8% (2014: 78.2%), representing a decrease of approximately 1.4 percentage points over the corresponding period of last year. The aggregated sales to the distributors in the PRC for the six months ended 30 September 2015 amounted to approximately HK\$6.7 million (2014: Nil) with an average gross profit margin of approximately 66.0%, which contributed to the decrease in the gross profit margin.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$7.9 million or 28.6% to HK\$19.7 million for the six months ended 30 September 2015 (2014: HK\$27.6 million). It was primarily attributable to the drive for cost effectiveness in managing marketing expenses in both Hong Kong and Taiwan.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$5.4 million or 14.1% to HK\$43.7 million for the six months ended 30 September 2015 (2014: HK\$38.3 million). It was primarily attributable to the increase in rental expense and legal and professional fees in relation to the transfer of listing of the shares of the Company from GEM to the Main Board of the Stock Exchange and connected transactions.

Equity-settled share-based payments

During the six months ended 30 September 2015, the Company did not grant any share option. 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 in relation to an agreement with a term of one year, to promote the Group's brands and products in the PRC. The share options concerned lapsed without being exercised.

Profit for the period

As a result of the foregoing factors, the Group's net profit increased by approximately HK\$1.7 million to HK\$10.6 million for the six months ended 30 September 2015 (2014: HK\$8.9 million).

FINANCIAL POSITION AND LIQUIDITY

As at 30 September 2015, cash and bank balances of the Group amounted to approximately HK\$118.2 million (As at 31 March 2015: HK\$109.0 million). The current ratio (current asset divided by current liabilities) of the Group was 2.7 times as at 30 September 2015 (As at 31 March 2015: 6.6 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 23.7% as at 30 September 2015 (As at 31 March 2015: approximately 2.1%). 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 2015, the Group has unutilised general banking facilities of approximately HK\$5.2 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 and Renminbi. In view of the current measures undertaken by the PRC Government to devalue the Renminbi, management will continue to manage and monitor such currency exposure to ensure appropriate measures are implemented in a timely and effectively manner.

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 2015, the Group had 167 employees (As at 31 March 2015: 172). For the six months ended 30 September 2015, staff costs including directors' remuneration was approximately HK\$25.4 million (six months ended 30 September 2014: HK\$28.3 million).

OUTLOOK

The successful listing of the shares of the Company on the GEM of the Stock Exchange on 11 October 2013 strengthened the Group's financial position and enabled the Group to implement its business objectives set out in the Prospectus dated 30 September 2013.

The Company submitted a formal application to the Stock Exchange on 6 July 2015 for the transfer of the listing of the shares of the Company from GEM to the Main Board of the Stock Exchange pursuant to Chapter 9A of the Rules Governing the Listing of Securities on the Stock Exchange (the "Transfer of Listing"). The Transfer of Listing will not involve the issue of any new shares by the Company. The Transfer of Listing is conditional upon, among other things, (a) the listing committee of the board of directors of the Stock Exchange granting approval for the listing of, and permission to deal in (i) 516,300,000 shares of the Company in issue; (ii) any shares of the Company which may be issued upon exercise of the outstanding share options which were granted under a share option scheme adopted by the Company, which took effect on 11 October 2013 (the "Share Option Scheme"); and (iii) any shares of the Company which may be issued in respect of the additional share options which may be granted under the Share Option Scheme; and (b) all other relevant consents required or in connection with the implementation of the Transfer of Listing having been obtained, and the fulfillment of all conditions which may be attached to such consents, if any.

The approval-in-principle of the Transfer of Listing has been granted by the Stock Exchange on 5 November 2015. Subject to the formal approval of the Transfer of Listing being granted by the Stock Exchange, the last day of dealings in the shares of the Company on GEM (Stock code: 8185) will be Thursday, 19 November 2015. It is expected that dealings in the Shares on the Main Board (Stock code: 932) will commence at 9:00 a.m. on Friday, 20 November 2015.

Marketing and promotion activities in Hong Kong

The Group will continue to drive turnover growth by placing strong emphasis on a multifaceted 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 intends to continue to run its advertising and promotion activities at the current level.

The Group intends to expand its distribution network in Hong Kong by selling products through other chain stores as well as establishing its own stores.

Collaboration with CUCAMed Company Limited

The continuing collaboration with CUCAMed Company Limited (“CUCAMed”), 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

In order to improve the sales performance and reduce costs in Taiwan, the Group entered into a distribution agreement with a distributor in Taiwan to promote and sell its products in June 2015.

At the same time, the Group’s products 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 also entered into distribution agreements with two distributors to promote and sell certain of its products in the PRC. Sales orders have been received from one of the distributors and some of which have been fulfilled.

The Group is also exploring opportunities in other overseas markets in southeast Asian countries by negotiating with potential distributors.

Presently, the Group does not have a hedging policy with respect to the foreign exchange exposure. The Group is exposed to currency risk primarily through sales and purchases, which give rise to receivables and payables and cash balances that are denominated in foreign currencies, other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily United States dollars and Renminbi. In view of the recent measures undertaken by the PRC Government to devalue the Renminbi, management will continue to manage and monitor such currency exposure to ensure appropriate measures are implemented in a timely and effective manner.

Save as disclosed above, there were no important events affecting the Group which occurred since the end of the six months ended 30 September 2015.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in notes 16 and 17 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 2015 and 31 March 2015, the Group had no material contingent liabilities.

CHARGES ON ASSETS

As at 30 September 2015, the Group had secured bank loans of approximately HK\$42.7 million (As at 31 March 2015: HK\$3.7 million). The banking facilities are secured by the Group's land and buildings, having carrying amount of approximately HK\$48.3 million as at 30 September 2015 (As at 31 March 2015: HK\$5.9 million).

CAPITAL COMMITMENT

As at 30 September 2015 and 31 March 2015, 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 2015 (six months ended 30 September 2014: 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 2015 onwards is set out as below:

Business objectives for the period from 1 April 2015 onwards as stated in the Prospectus

Expansion of distribution network Set up about 2–6 new SDCs

Employ more promoters

Actual business progress up to 30 September 2015

The Group continues to identify suitable stores of the Distribution Facilitator to set up SDCs. Three Health Proof SDCs and two Royal Medic SDCs were set up during the six months ended 30 September 2015. The Group had 31 SDCs including 14 Royal Medic SDCs and 17 Health Proof SDCs as at 30 September 2015.

The Group continues to employ promoters and employed 93 promoters as at 30 September 2015.

Business objectives for the period from 1 April 2015 onwards as stated in the Prospectus

Actual business progress up to 30 September 2015

Collaboration with CUCAMed to develop products

Launch more new health supplements under the brand of “LEGEND”

The Group launched five health supplements under “LEGEND” as at 30 September 2015.

Engaging brand ambassadors to promote the products

The Group continues to engage a brand ambassador to promote the products under “LEGEND”.

Strengthen the Group’s branding and marketing strategies through various media and channels

The Group continues to promote its products launched under “LEGEND” through various media and channels, such as television commercials and printed media in Hong Kong.

Expanding overseas markets

Engaging brand ambassadors in Taiwan

The contract of a brand ambassador in Taiwan expired in September 2015. The Group began to promote the Group’s products in Taiwan using the same brand ambassadors as used in Hong Kong.

Recruiting more promoters and strengthen the Group’s branding and marketing strategies through various media and channels in Taiwan

In order to improve the sales performance and reduce costs in Taiwan, the Group entered into a distribution agreement with a distributor in Taiwan to promote and sell its products in June 2015. At the same time, the Group’s products continue to be sold in the stores of the 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.

Continue to explore the opportunities in other overseas markets

The Group entered into distribution agreements with two distributors to promote and sell certain of the Group’s products in the PRC. The Group is also exploring opportunities in other overseas markets in southeast Asian countries by negotiating with potential distributors.

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.

Engaging a reputable university to conduct preliminary clinical trials

The Group continues its collaboration with universities including the engagement of a university to conduct research on herbal tonic in connection with dementia.

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 2015 to 30 September 2015, 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		
	Total <i>HK\$'000</i>	1 April 2015 onwards <i>HK\$'000</i>	11 October 2013 to 31 March 2015 <i>HK\$'000</i>	1 April 2015 to 30 September 2015 <i>HK\$'000</i>	Total amount utilised up to 30 September 2015 <i>HK\$'000</i>
Expansion of distribution network	5,950	3,950	–	–	–
Collaboration with CUCAMed to develop products	47,600	28,650	5,393	–	5,393
Expanding overseas markets	41,650	22,443	271	–	271
Enhancing the Group's marketing and promotion activities in Hong Kong	13,090	4,233	8,857	4,233	13,090
General working capital	10,710	3,210	7,500	3,210	10,710
	<u>119,000</u>	<u>62,486</u>	<u>22,021</u>	<u>7,443</u>	<u>29,464</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 2015 (six months ended 30 September 2014: Nil).

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to reviewing and formulating corporate governance practices appropriate to the Company's needs. Throughout the six months ended 30 September 2015, the Group has complied with the code provisions as set out in the Corporate Governance Code (the "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 ten 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 a code of conduct ("Code of Conduct") regarding directors' securities transactions on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules ("Required Standard of Dealings"). After having made specific enquiry, the Company confirms that all Directors complied throughout the six months ended 30 September 2015 with the Required Standard of Dealings and the Code of Conduct. Senior management, other nominated managers and staff who, because of their office in the Company, are likely to be in possession of inside information of the Company, have been requested to comply with the provisions of the Code of Conduct.

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 2015.

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.

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 2015 (the “2015/2016 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 2015/2016 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 2015

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.