



RM Group Holdings Limited
御藥堂集團控股有限公司

(incorporated in the Cayman Islands with limited liability)

(於開曼群島註冊成立之有限公司)

Stock Code 股份代號 : 8185

2015/2016
FIRST QUARTERLY REPORT

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (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.

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 report, 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 report.

This report, 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 report 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 report misleading.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months ended 30 June 2015

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the three months ended 30 June 2015 together with the unaudited comparative figures for the corresponding period last year as follows:

	Notes	For the three months ended 30 June	
		2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
REVENUE	3	38,809	47,802
Cost of sales		(9,231)	(11,171)
GROSS PROFIT		29,578	36,631
Other revenue and other net income		126	227
Selling and distribution expenses		(9,422)	(12,899)
Administrative expenses		(19,283)	(18,317)
Research and development costs		(360)	(754)
PROFIT FROM OPERATIONS		639	4,888
Finance costs	4(c)	(20)	(27)
PROFIT BEFORE TAXATION	4	619	4,861
Taxation	5	(136)	(1,101)
PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		483	3,760
OTHER COMPREHENSIVE INCOME/(LOSS) Items that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		17	(14)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		500	3,746
EARNINGS PER SHARE			
BASIC (HK CENTS PER SHARE)	7	0.094	0.730
DILUTED (HK CENTS PER SHARE)	7	0.093	0.727

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2015

	Attributable to owners of the Company						
	Share capital	Share premium	Merger reserve	Translation reserve	Share option reserve	Retained earnings	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 April 2015 (audited)	5,155	123,890	(10)	(161)	8,161	43,878	180,913
Profit for the period	-	-	-	-	-	483	483
Other comprehensive income:							
Exchange difference arising on translation of foreign operations	-	-	-	17	-	-	17
Total comprehensive income for the period	-	-	-	17	-	483	500
Shares issued under share option scheme	8	1,526	-	-	(222)	-	1,312
At 30 June 2015 (unaudited)	5,163	125,416	(10)	(144)	7,939	44,361	182,725
At 1 April 2014 (audited)	5,150	122,936	(10)	(127)	7,364	32,818	168,131
Profit for the period	-	-	-	-	-	3,760	3,760
Other comprehensive loss:							
Exchange difference arising on translation of foreign operations	-	-	-	(14)	-	-	(14)
Total comprehensive income for the period	-	-	-	(14)	-	3,760	3,746
At 30 June 2014 (unaudited)	5,150	122,936	(10)	(141)	7,364	36,578	171,877

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the three months ended 30 June 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 issued shares have been listed on the Growth Enterprise Market (“GEM”) of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 11 October 2013.

The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the 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 consolidated financial information is presented in Hong Kong dollars (“HK\$”), unless otherwise stated.

The unaudited condensed consolidated financial information for the three months ended 30 June 2015 has not been audited by the Company’s auditors but was reviewed by the audit committee of the Company.

2. PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated financial information has been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) and accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the “GEM Listing Rules”).

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the three months ended 30 June 2015

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Company. There have been no significant changes to the accounting policies applied in these financial information for the periods presented as a result of these developments.

The unaudited condensed consolidated financial information has been prepared under the historical cost convention.

The preparation of financial information in conformity with the HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise their judgments in the process of applying the Group's accounting policies.

The accounting policies adopted in preparing the unaudited condensed consolidated financial information were consistent with those applied for the financial statements of the Group for the year ended 31 March 2015.

3. 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 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Health supplements	30,407	38,340
Beauty supplements and products	8,044	9,176
Others	358	286
	38,809	47,802

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the three months ended 30 June 2015

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting) the followings:

	For the three months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
(a) Staff costs:		
Salaries, allowances, and other benefits (including directors' remuneration)	12,044	13,944
Contributions to defined contribution retirement plan	496	474
	12,540	14,418
(b) Other items:		
Auditors' remuneration	195	175
Cost of inventories (note i)	9,231	11,171
Depreciation on property, plant and equipment	528	485
Amortisation of intangible assets	29	29
Provision for goods returns	420	301
Exchange loss/(gain), net	6	(24)
Net loss on disposal of property, plant and equipment	78	–
Operating lease charges: minimum lease payments	994	175
Research and development costs	360	754
Rent for special designated counters	5,992	4,256
(c) Finance costs:		
Bank overdraft interest	4	7
Interest on bank loans	16	20
Total interest expenses on financial liabilities not at fair value through profit or loss	20	27

Note:

- (i) For the three months ended 30 June 2015, cost of inventories includes HK\$1,275,000 (2014: HK\$1,233,000) relating to staff costs, depreciation and provision for goods returns, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the three months ended 30 June 2015

5. TAXATION

	For the three months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Current tax — Hong Kong Profits Tax		
Provision for the period	136	1,101
	136	1,101

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit for the period.

No provision for profits tax in the Cayman Islands, the British Virgin Islands, Malaysia, the PRC and Taiwan have been made as the Group has no income or profit assessable for tax in these jurisdictions for the periods ended 30 June 2015 and 2014.

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

	For the three months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Profit before taxation	619	4,861
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	73	798
Tax effect on non-taxable income	(20)	(31)
Tax effect on non-deductible expenses	79	99
Tax effect of tax losses not recognised	250	298
Tax effect of utilisation of tax losses not previously recognised	(176)	—
Others	(70)	(63)
Actual tax expense	136	1,101

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the three months ended 30 June 2015

6. DIVIDENDS

The Board does not recommend the payment of dividend for the three-month period ended 30 June 2015 (2014: Nil).

7. EARNINGS PER SHARE

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

	For the three months ended 30 June	
	2015 (unaudited)	2014 (unaudited)
Earnings		
Profit attributable to owners of the Company for the purposes of calculation of basic and diluted earnings per share (HK\$'000)	483	3,760
Number of shares		
Weighted average number of ordinary shares in issue for the purpose of calculation of basic earnings per share	516,185,714	515,000,000
Effect of dilutive potential ordinary shares: Share options	5,919,698	2,488,950
Weighted average number of ordinary shares for the purpose of calculation of diluted earnings per share	522,105,412	517,488,950
Basic earnings per share (HK cents)	0.094	0.730
Diluted earnings per share (HK cents)	0.093	0.727

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the three months ended 30 June 2015

8. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. Information reported to the Board, being the chief operating decision maker (“CODM”), for the purposes of resource allocation and assessment of segment performance focuses on the 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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the three months ended 30 June 2015

8. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Board for the purpose of resource allocation and assessment of segment performance for the three-month periods ended 30 June 2014 and 2015 are set out below:

	For the three months ended 30 June 2015 (unaudited)								
	Proprietary brands		Private label brands		Trading of goods			Other items	Total
	Beauty		Beauty		Beauty				
	Health supplements	and products	Health supplements	and products	Health supplements	and products			
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Revenue from external customers	18,915	7,404	11,260	590	232	50	358	38,809	
Cost of sales	(4,643)	(2,796)	(1,524)	(151)	(72)	(21)	(24)	(9,231)	
Gross profit	14,272	4,608	9,736	439	160	29	334	29,578	
Selling and distribution expenses	(6,017)	(1,802)	(1,469)	(63)	(28)	(2)	-	(9,381)	
Administrative expenses	(1,508)	(49)	(4,030)	(186)	(115)	-	-	(5,888)	
Segment results	6,747	2,757	4,237	190	17	27	334	14,309	
Other revenue and other net income								126	
Unallocated head office and corporate expenses								(13,796)	
Finance costs								(20)	
Profit before taxation								619	

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the three months ended 30 June 2015

8. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

	For the three months ended 30 June 2014 (unaudited)					
	Proprietary brands			Private label brands		
	Beauty		Health supplements	Beauty		Other items
	Health supplements	and products		Health supplements	and products	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Total HK\$'000	
Revenue from external customers	29,277	8,118	9,063	1,058	286	47,802
Cost of sales	(6,586)	(2,857)	(1,506)	(176)	(46)	(11,171)
Gross profit	22,691	5,261	7,557	882	240	36,631
Selling and distribution expenses	(8,359)	(2,718)	(1,449)	(184)	-	(12,710)
Administrative expenses	(1,650)	(67)	(2,249)	(166)	-	(4,132)
Segment results	12,682	2,476	3,859	532	240	19,789
Other revenue and other net income						227
Unallocated head office and corporate expenses						(15,128)
Finance costs						(27)
Profit before taxation						4,861

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the three months ended 30 June 2015

8. SEGMENT REPORTING (CONTINUED)

(a) Segment results, assets and liabilities (Continued)

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 three months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Proprietary brands:		
Health supplements	90	104
Beauty supplements and products	24	21
Private label brands:		
Health supplements	36	23
Beauty supplements and products	2	3
Trading of goods:		
Health supplements	1	–
Unallocated	404	363
Total	557	514

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the three months ended 30 June 2015

8. SEGMENT REPORTING (CONTINUED)

(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 three months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Hong Kong	38,701	47,250
Taiwan	108	552
	38,809	47,802

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the three months ended 30 June 2015

8. SEGMENT REPORTING (CONTINUED)

(e) Information about major customer

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

	For the three months ended 30 June	
	2015 HK\$'000 (unaudited)	2014 HK\$'000 (unaudited)
Customer A (note (i))	26,389	35,657

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.

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

Revenue

The Group recorded an unaudited revenue of approximately HK\$38.8 million for the three months ended 30 June 2015 (2014: HK\$47.8 million), representing a decrease of approximately HK\$9.0 million or 18.8% over the corresponding period of last year. The Group's revenue attributable to health supplements decreased by approximately HK\$7.9 million or 20.6% to HK\$30.4 million (2014: HK\$38.3 million), while its revenue attributable to beauty supplements and products decreased by approximately HK\$1.2 million or 13.0% to HK\$8.0 million (2014: HK\$9.2 million), for the three months ended 30 June 2015.

The Group's revenue attributable to proprietary brands health supplements decreased by approximately HK\$10.4 million or 35.5% to HK\$18.9 million for the three months ended 30 June 2015 (2014: HK\$29.3 million). The decrease in revenue is attributable to different scheduling of one day special promotion events of health supplements being held in the three months ended 30 June 2015 as compared with those held in the three months ended 30 June 2014.

Revenue attributable to proprietary brands beauty supplements and products decreased by approximately HK\$0.7 million or 8.6% to HK\$7.4 million for the three months ended 30 June 2015 (2014: HK\$8.1 million). The decrease in revenue is attributable to different scheduling of one day special promotion events of beauty supplements being held in the three months ended 30 June 2015 as compared with those held in the three months ended 30 June 2014.

Revenue attributable to private label brands health supplements increased by approximately HK\$2.3 million or 25.6% to HK\$11.3 million for the three months ended 30 June 2015 (2014: HK\$9.0 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.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Revenue (Continued)

Revenue attributable to private label brands beauty supplements and products decreased by approximately HK\$0.5 million or 45.5% to HK\$0.6 million for the three months ended 30 June 2015 (2014: HK\$1.1 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\$232,000 for the three months ended 30 June 2015 (2014: Nil).

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

Gross profit and gross profit margin

Gross profit for the three months ended 30 June 2015 was approximately HK\$29.6 million (2014: HK\$36.6 million), representing a decrease of approximately 19.1% over the corresponding period of last year. The gross profit margin of the Group for the three months ended 30 June 2015 was approximately 76.2% (2014: 76.6%), representing a decrease of approximately 0.4 percentage points over the corresponding period of last year.

Selling and distribution expenses

The Group's selling and distribution expenses decreased by approximately HK\$3.5 million or 27.1% to HK\$9.4 million for the three months ended 30 June 2015 (2014: HK\$12.9 million). It was primarily attributable to the decrease in marketing expense in both Hong Kong and Taiwan.

Administrative expenses

The Group's administrative expenses increased by approximately HK\$1.0 million or 5.5% to HK\$19.3 million for the three months ended 30 June 2015 (2014: HK\$18.3 million). It was primarily attributable to the increase in rental expense and legal and professional fees.

Profit for the period

As a result of the foregoing factors, the Group's net profit decreased by approximately HK\$3.3 million to HK\$0.5 million for the three months ended 30 June 2015 (2014: HK\$3.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL MANAGEMENT

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

MATERIAL ACQUISITIONS OR DISPOSALS

Reference is made to the announcement, circular and notice of extraordinary general meeting ("EGM") of the Company dated 23 June 2015, 30 July 2015 and 30 July 2015, respectively, and the announcements dated 4 August 2015 and 14 August 2015. On 23 June 2015, Mr. Chan Yan Tak ("Mr. Chan"), as the vendor, and Rich Sunny Investment Limited ("Rich Sunny"), a wholly owned subsidiary of the Company, as the purchaser, entered into a sale and purchase agreement ("Sale and Purchase Agreement"), pursuant to which Mr. Chan has conditionally agreed to sell and Rich Sunny has conditionally agreed to purchase the one ordinary share of Royal Richly (Hong Kong) Limited ("Royal Richly") and the all the loans owed by Royal Richly to Mr. Chan immediately prior to completion of the acquisition in accordance with the terms and conditions of the Sale and Purchase Agreement at a consideration of HK\$19,410,000 payable in cash. At the EGM convened on 14 August 2015, the Sale and Purchase Agreement and the transaction contemplated thereunder was approved by passing an ordinary resolution by the independent shareholders by way of poll.

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 has submitted a formal application to the Stock Exchange on 6 July 2015 for the proposed 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 "Proposed Transfer of Listing"). The Proposed Transfer of Listing will not involve the issue of any new shares by the Company. The Proposed 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 Proposed Transfer of Listing having been obtained, and the fulfillment of all conditions which may be attached to such consents, if any.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

OUTLOOK (CONTINUED)

There is no assurance that permission will be obtained from the Stock Exchange for the Proposed Transfer of Listing. Accordingly, the Proposed Transfer of Listing may or may not proceed.

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. Certain sales orders have been received from one of the distributors.

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 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 effective manner.

OTHER INFORMATION

DISCLOSURE OF INTEREST

Directors' and chief executive's interests and short position in shares, underlying shares and debentures of the Company

As at 30 June 2015, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in shares of the Company

Name of Directors	Number of shares			Number of underlying shares held under equity derivatives (Note 3)	Total	Approximate percentage of interest in the Company's issued share capital*
	Personal interests	Family interests (Note 1)	Corporate interests (Note 2)			
Mr. CHAN Yan Tak ("Mr. Chan")	–	–	359,700,000	500,000	360,200,000	69.77%
Mr. WONG Mau Tai	–	–	–	5,000,000	5,000,000	0.97%
Mr. FOO Chi Ming	–	–	–	5,000,000	5,000,000	0.97%
Madam TSANG Pui Man ("Madam Tsang")	–	359,700,000	–	500,000 (Note 4)	360,200,000	69.77%
Prof. NG Ka Ming	–	–	–	500,000	500,000	0.10%
Mr. CHENG Kwok Kin, Paul	–	–	–	500,000	500,000	0.10%
Mr. WEI Jianan	–	–	–	500,000	500,000	0.10%

OTHER INFORMATION (CONTINUED)

DISCLOSURE OF INTERESTS (CONTINUED)

Notes:

- (1) Madam Tsang is the spouse of Mr. Chan, who owns the entire issued share capital of Able Island Group Limited (the “Able Island”). Accordingly, Madam Tsang is deemed to be interested in 359,700,000 shares of the Company held by Able Island by virtue of the SFO.
 - (2) Mr. Chan owns the entire issued share capital of Able Island. Accordingly, Mr. Chan is deemed to be interested in 359,700,000 shares of the Company held by Able Island by virtue of the SFO.
 - (3) This represents interests in the share options held by the relevant Directors as beneficial owners to subscribe for the relevant underlying shares of the Company granted by the Company under the Share Option Scheme, details of which are set out in the section headed “Share Option Scheme” in this report.
 - (4) This represents interests in the share options held by Mr. Chan as beneficial owner to subscribe for the underlying shares of the Company granted by the Company under the Share Option Scheme. Madam Tsang is the spouse of Mr. Chan and is deemed to be interested such share options held by Mr. Chan by virtue of the SFO.
- * The percentage has been adjusted (if any) based on the total number of shares of the Company in issued as at 30 June 2015 (i.e. 516,300,000 shares.)

Save as disclosed above, as at 30 June 2015, none of the Directors or the chief executive of the Company had registered any interest or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (i) are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) were recorded in the register required to be kept under Section 352 of the SFO; or (iii) were required to be notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Save as disclosed herein, at no time during the three months ended 30 June 2015 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

OTHER INFORMATION (CONTINUED)

DISCLOSURE OF INTERESTS (CONTINUED)

Substantial Shareholder's Interests in the Company

As at 30 June 2015, according to the register of interests kept by the Company under section 336 of the SFO, the interest of the persons, other than the Directors or the chief executive of the Company, in the shares and underlying shares of the Company which were notified to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO and entered in the register maintained by the Company pursuant to Section 336 of the SFO, or otherwise notified to the Company were as follows:

Long positions in shares of the Company

Name of Shareholders	Capacity/nature of interest	Number of Ordinary shares	Approximate percentage of interest in the Company's issued share capital*
Able Island ^(Note)	Beneficial Owner	359,700,000	69.67%

Note: The entire issued share capital of Able Island is beneficially owned by Mr. Chan.

* The percentage has been adjusted (if any) based on the total number of shares of the Company in issued as at 30 June 2015 (i.e. 516,300,000 shares.)

Save as disclosed above, as at 30 June 2015, the Company had not been notified by any persons (other than the Directors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEME

Pursuant to a written resolution of the Company passed on 24 September 2013, the Company has conditionally adopted a share option scheme, which has been taken effect on 11 October 2013 (the “Share Option Scheme”).

As at 30 June 2015 and up to the date of this report, 29,700,000 share options and 24,700,000 share options were outstanding under the Share Option Scheme, respectively, which were fully vested and exercisable. Movements of the share options during the three months ended 30 June 2015 are listed below in accordance with chapter 23 of the GEM Listing Rules:

Category	As at 1 April 2015	Exercised on 14 April 2015	As at 30 June 2015	Note
Directors				
Mr. Chan Yan Tak	500,000	–	500,000	(1)
Mr. Wong Mau Tai	5,000,000	–	5,000,000	(1)
Mr. Foo Chi Ming	5,000,000	–	5,000,000	(1)
Prof. Ng Ka Ming	500,000	–	500,000	(1)
Mr. Cheng Kwok Kin, Paul	500,000	–	500,000	(1)
Mr. Wei Jianan	500,000	–	500,000	(1)
Sub-total	12,000,000	–	12,000,000	
Continuous Contracts				
Employees	13,500,000	(800,000)	12,700,000	(1)(2)
Consultant	5,000,000	–	5,000,000	(3)
Total	30,500,000	(800,000)	29,700,000	

Notes:

1. The share options were granted on 22 November 2013 and are exercisable at any time from, the date of grant and acceptance, 22 November 2013 until 21 November 2016 (both days inclusive) and the exercise price is HK\$1.64.
2. 800,000 share options granted to certain employees were exercised on 14 April 2015. The weighted average closing price of the shares of the Company immediately before the date on which the share option were exercised was HK\$2.07.
3. 5,000,000 share options lapsed on 6 July 2015.
4. During the reporting period, no share option was granted, lapsed or cancelled in accordance with the Share Option Scheme.

OTHER INFORMATION (CONTINUED)

DIRECTORS' SECURITIES TRANSACTIONS

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 period ended 30 June 2015 with the Required Standard of Dealings and the Code of Conduct. Senior managers, other nominated managers and staff who, because of their office in the Group, are likely to be in possession of inside information of the Group, have been requested to comply with the provisions of the Code of Conduct.

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 three months ended 30 June 2015 (2014: Nil).

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 June 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 Prof. NG Ka Ming, Mr. CHENG Kwok Kin, Paul 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 report and has provided advice and comments thereon.

APPROVAL OF QUARTERLY REPORT

The quarterly report and the unaudited condensed consolidated financial information for the three months ended 30 June 2015 were approved and authorised for issue by the Board on 14 August 2015.

As at the date of this report, 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.