



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

2013/2014

Third 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.

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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 STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2013

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 and nine months ended 31 December 2013 together with the unaudited comparative figures for the corresponding period in 2012 as follows:

	Note	For the nine months ended 31 December		For the three months ended 31 December	
		2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
TURNOVER	3	130,421	117,808	56,244	44,079
Cost of sales		(29,466)	(26,333)	(11,885)	(8,843)
GROSS PROFIT		100,955	91,475	44,359	35,236
Other revenue and other net income		2,336	77	180	13
Selling and distribution expenses		(38,429)	(29,252)	(16,662)	(11,693)
Administrative expenses		(42,106)	(30,591)	(15,746)	(8,939)
Research and development expenses		(1,409)	(1,856)	(1,039)	(1,487)
Share-based payment		(7,364)	-	(7,364)	-
Listing expenses		(15,370)	(1,733)	(11,118)	(1,317)
(LOSS)/PROFIT FROM OPERATIONS		(1,387)	28,120	(7,390)	11,813
Finance costs	4(c)	(83)	(85)	(34)	(27)
(LOSS)/PROFIT BEFORE TAXATION		(1,470)	28,035	(7,424)	11,786
Taxation	5	(3,901)	(5,147)	(2,151)	(1,912)
(LOSS)/PROFIT FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	4	(5,371)	22,888	(9,575)	9,874
OTHER COMPREHENSIVE EXPENSES FOR THE PERIOD					
Items that may be reclassified to profit or loss:					
Exchange differences arising on translation of foreign operation		(85)	-	(76)	-
TOTAL COMPREHENSIVE (EXPENSES)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(5,456)	22,888	(9,651)	9,874
(Loss)/earnings per share					
Basic and diluted (HK cents per share)	7	(1.3)	5.9	(1.9)	2.6

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the nine months ended 31 December 2013

	Attributable to owners of the Company						
	Share capital	Share premium	Merger reserve	Translation reserve	Share option reserve	Retained earnings	Total
	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)	HK\$'000 (unaudited)
At 1 April 2013 (audited)	-	-	-	-	-	38,551	38,551
Loss for the period	-	-	-	-	-	(5,371)	(5,371)
Other comprehensive expenses:							
Exchange differences arising on translation of foreign operation	-	-	-	(85)	-	-	(85)
Total comprehensive expenses for the period	-	-	-	(85)	-	(5,371)	(5,456)
Elimination of share capital pursuant to the Reorganisation	-	-	-	-	-	-	-
Issue of ordinary shares pursuant to the Reorganisation	10	-	(10)	-	-	-	-
Credit the 10 shares in issue as fully paid pursuant to the Reorganisation	-	-	-	-	-	-	-
Issuance of new shares by way of placing	1,296	137,376	-	-	-	-	138,672
Share issue expenses	-	(10,596)	-	-	-	-	(10,596)
Capitalisation issue	3,844	(3,844)	-	-	-	-	-
Equity-settled share-based payment	-	-	-	-	7,364	-	7,364
At 31 December 2013 (unaudited)	5,150	122,936	(10)	(85)	7,364	33,180	168,535
At 1 April 2012 (audited)	-	-	-	-	-	39,287	39,287
Profit and total comprehensive income for the period	-	-	-	-	-	22,888	22,888
Dividends (note 6)	-	-	-	-	-	(20,000)	(20,000)
At 31 December 2012 (unaudited)	-	-	-	-	-	42,175	42,175

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION

For the nine months ended 31 December 2013

1. CORPORATE INFORMATION AND REORGANISATION

(a) Corporate Information

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

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

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

The unaudited condensed consolidated financial information for the nine months ended 31 December 2013 has not been audited by the Company’s auditors but has been reviewed by the audit committee of the Company.

(b) Reorganisation

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

1. CORPORATE INFORMATION AND REORGANISATION (CONTINUED)

(b) Reorganisation (Continued)

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

2. PRINCIPAL ACCOUNTING POLICIES

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

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

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

HKFRS 10 “Consolidated financial statements”

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

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



NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

2. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

HKFRS 13 “Fair value measurement”

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

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

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

3. TURNOVER

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

3. TURNOVER (CONTINUED)

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

	For the nine months ended 31 December		For the three months ended 31 December	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Health supplements	99,416	82,393	47,764	36,242
Beauty supplements and products	30,366	34,857	8,231	7,645
Others	639	558	249	192
	130,421	117,808	56,244	44,079

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

4. (LOSS)/PROFIT FOR THE PERIOD

(Loss)/profit for the period is stated after charging/(crediting) the following:

	For the nine months ended 31 December		For the three months ended 31 December	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
(a) Staff costs:				
Salaries, allowances, and other benefits (including directors' remuneration)	32,162	26,315	11,471	8,891
Share-based payment	7,364	–	7,364	–
Mandatory provident fund contribution	1,135	981	389	328
	40,661	27,296	19,224	9,219
(b) Other items:				
Auditors' remuneration	388	–	200	–
Cost of inventories	29,466	26,333	11,885	8,843
Depreciation on property, plant and equipment	1,255	1,054	427	398
Provision/(reversal of provision) for goods returns	865	952	504	(86)
Exchange loss/(gain), net	153	(19)	96	(4)
Operating lease charges	309	79	133	26
Net gain on disposal of subsidiaries	(2,118)	–	–	–
Net loss on disposal of property, plant and equipment	47	2	47	2
Research and development expenses	1,409	1,856	1,039	1,487
(c) Finance costs:				
Bank overdraft interest	13	–	12	–
Finance charge on obligations under finance lease	1	5	–	1
Interest on bank advances not wholly repayable within five years	69	80	22	26
	83	85	34	27

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

5. TAXATION

	For the nine months ended 31 December		For the three months ended 31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax — Hong Kong profits tax				
Provision for the period	3,901	5,147	2,151	1,912

Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods ended 31 December 2013 and 2012.

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

No provision for enterprise income tax in Taiwan has been made as the Group has no income assessable for tax in Taiwan during the periods.

6. DIVIDENDS

	For the nine months ended 31 December		For the three months ended 31 December	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Final dividends declared by Wisdom Come Medical Group Limited in respect of the year ended 31 March 2012	—	20,000	—	—

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

The board of directors of the Company (the “Board”) did not recommend any payment of dividends for the period ended 31 December 2013.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

7. (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share for the three months and nine months ended 31 December 2013 and 2012 are calculated by dividing the (loss)/profit attributable to owners of the Company by the weighted average number of ordinary shares in issue.

In determining the weighted average number of ordinary shares in issue, 999,990 ordinary shares issued as consideration for the acquisition of the entire issue share capital of Noble State Holdings Limited and the capitalisation issue of 384,400,000 upon the listing of the Company's shares on 11 October 2013 for the calculation of basic and diluted (loss)/earnings per share.

	For the nine months ended 31 December		For the three months ended 31 December	
	2013 (unaudited)	2012 (unaudited)	2013 (unaudited)	2012 (unaudited)
(Loss)/profit attributable to owners of the Company (HK\$'000)	(5,371)	22,888	(9,575)	9,874
Weighted average number of ordinary shares in issue	424,044,364	385,400,000	500,913,043	385,400,000
Basic and diluted (loss)/earnings per share (HK cents)	(1.3)	5.9	(1.9)	2.6

The computation of diluted loss per share does not assume the exercise of the Company's outstanding share options during the three months and nine months ended 31 December 2013 since their exercise would result in a decrease in the loss per share.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

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 brands of goods delivered.

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

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

8. SEGMENT REPORTING (CONTINUED)

(a) Segment results

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 nine-month period ended 31 December 2012 and 2013, respectively, are set out below:

	For the nine months ended 31 December 2013 (unaudited)							
	Proprietary brands			Private label brands		Other items	Total	
	Health supplements	Beauty		Health supplements	Beauty			
		and products	and products		and products			and products
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000		
Revenue from external customers	80,125	22,783	19,291	7,583	639	130,421		
Cost of sales	(16,712)	(7,589)	(2,898)	(1,963)	(304)	(29,466)		
Gross profit	63,413	15,194	16,393	5,620	335	100,955		
Selling and distribution expenses	(27,143)	(6,759)	(2,537)	(1,919)	-	(38,358)		
Administrative expenses	(4,654)	(359)	(5,839)	(661)	-	(11,513)		
Segment results	31,616	8,076	8,017	3,040	335	51,084		
Other revenue and other net income						2,336		
Unallocated head office and corporate expenses						(54,807)		
Finance costs						(83)		
Loss before tax						(1,470)		

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

8. SEGMENT REPORTING (CONTINUED)

(a) Segment results (Continued)

	For the nine months ended 31 December 2012 (unaudited)					
	Proprietary brands		Private label brands		Other items	Total
	Health supplements	Beauty	Health supplements	Beauty		
		and products		and products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	71,790	21,287	10,603	13,570	558	117,808
Cost of sales	(15,797)	(5,612)	(1,579)	(3,129)	(216)	(26,333)
Gross profit	55,993	15,675	9,024	10,441	342	91,475
Selling and distribution expenses	(14,660)	(5,027)	(1,217)	(3,629)	-	(24,533)
Administrative expenses	(4,072)	(811)	(3,380)	(1,245)	-	(9,508)
Segment results	37,261	9,837	4,427	5,567	342	57,434
Other revenue and other net income						77
Unallocated head office and corporate expenses						(29,391)
Finance costs						(85)
Profit before tax						28,035

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 is no significant inter-segment transfer or transaction.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

8. SEGMENT REPORTING (CONTINUED)

(a) Segment results (Continued)

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

	For the nine months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Depreciation		
Proprietary brands		
Health supplements	214	217
Beauty supplements and products	58	64
Private label brands		
Health supplements	51	32
Beauty supplements and products	20	41
Unallocated	912	700
	1,255	1,054

(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, segment revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL INFORMATION (CONTINUED)

For the nine months ended 31 December 2013

8. SEGMENT REPORTING (CONTINUED)

(b) Geographical information (Continued)

Revenue from external customers

	For the nine months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong	128,934	117,808
Taiwan	1,487	–
	130,421	117,808

(c) Information about major customer(s)

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

	For the nine months ended	
	31 December	
	2013	2012
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Customer A (note (i))	89,568	84,316

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

FINANCIAL REVIEW

Three months ended 31 December 2013 compared with three months ended 31 December 2012

Revenue

The Group recorded an unaudited turnover of approximately HK\$56.2 million for the three months ended 31 December 2013 (for the three months ended 31 December 2012: approximately HK\$44.1 million), representing an increase of approximately HK\$12.1 million or 27.4% as compared with the same period in 2012. The Group's revenue attributable to health supplements increased by approximately HK\$11.5 million or 32.0% from approximately HK\$36.2 million to approximately HK\$47.7 million, while its revenue attributable to beauty supplements and products increased by approximately HK\$0.6 million or 7.9% from approximately HK\$7.6 million to approximately HK\$8.2 million, for the three months ended 31 December 2013 as compared with the same period last year.

The Group's revenue attributable to proprietary brands health supplements increased by approximately HK\$7.2 million or 22.5% from approximately HK\$32.0 million to approximately HK\$39.2 million for the three months ended 31 December 2013 as compared with the same period last year.

Revenue attributable to proprietary brands beauty supplements and products increased by approximately HK\$1.1 million or 19.0% from approximately HK\$5.8 million to approximately HK\$6.9 million for the three months ended 31 December 2013 as compared with the same period last year.

Revenue attributable to private label brands health supplements increased by approximately HK\$4.3 million or 102.4% from approximately HK\$4.2 million to approximately HK\$8.5 million for the three months ended 31 December 2013 as compared with the same period last year. The increase in revenue attributable to private label brands was primarily due to the expansion of the product range and increase in the number of Health Proof special designated counters, which primarily sold health supplements.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Three months ended 31 December 2013 compared with three months ended 31 December 2012 (Continued)

Revenue (Continued)

Revenue attributable to private label brands beauty supplements and products decreased by approximately HK\$0.5 million or 27.8% from approximately HK\$1.8 million to approximately HK\$1.3 million for the three months ended 31 December 2013 as compared with the same period last year. The decrease is primarily due to the fact that the Group focused resources on marketing the Health Proof products among private label brands, which were primarily health supplements.

Cost of sales and gross profit

Gross profit for the three months ended 31 December 2013 was approximately HK\$44.4 million, representing an increase of approximately 26.1% as compared with the same period in 2012 (for the three months ended 31 December 2012: approximately HK\$35.2 million). The gross profit margin of the Group for the three months ended 31 December 2013 was approximately 78.9%, representing a slight decrease of approximately 1.0% as compared with the same period in 2012 (for the three months ended 31 December 2012: approximately 79.9%).

Loss/(profit) for the period

The Group incurred a net loss of approximately HK\$9.6 million during the three months ended 31 December 2013, as compared with a net profit of approximately HK\$9.9 million for the three months ended 31 December 2012. The loss incurred was mainly due to listing expenses and other related charges of approximately HK\$11.1 million and share-based payment incurred in respect of the Share Options granted by the Company of approximately HK\$7.4 million for the three months ended 31 December 2013. Such listing expenses are non-deductible in calculating the assessable profits for taxation purposes.

Besides, the Group launched marketing campaigns during the three months ended 31 December 2013 to promote its corporate image. The total advertising and promotion expenses was increased by approximately HK\$3.7 million and approximately HK\$1.1 million in Hong Kong and Taiwan, respectively, for the three months ended 31 December 2013 as compared with the same period last year.

Nine months ended 31 December 2013 compared with nine months ended 31 December 2012

Revenue

The Group recorded an unaudited turnover of approximately HK\$130.4 million for the nine months ended 31 December 2013 (for the nine months ended 31 December 2012: approximately HK\$117.8 million), representing an increase of approximately HK\$12.6 million or 10.7% as compared with the same period in 2012. The Group's revenue attributable to health supplements increased by approximately HK\$17.0 million or 20.6% from approximately HK\$82.4 million to approximately HK\$99.4 million, while its revenue attributable to beauty supplements and products decreased by approximately HK\$4.5 million or 12.9% from approximately HK\$34.9 million to approximately HK\$30.4 million, for the nine months ended 31 December 2013 as compared with the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Nine months ended 31 December 2013 compared with nine months ended 31 December 2012 (Continued)

Revenue (Continued)

The Group's revenue attributable to proprietary brands health supplements increased by approximately HK\$8.3 million or 11.6% from approximately HK\$71.8 million to approximately HK\$80.1 million for the nine months ended 31 December 2013 as compared with the same period last year.

Revenue attributable to proprietary brands beauty supplements and products increased by approximately HK\$1.5 million or 7.0% from approximately HK\$21.3 million to approximately HK\$22.8 million for the nine months ended 31 December 2013 as compared with the same period last year.

Revenue attributable to private label brands health supplements increased by approximately HK\$8.7 million or 82.1% from approximately HK\$10.6 million to approximately HK\$19.3 million for the nine months ended 31 December 2013 as compared with the same period last year. The increase in revenue attributable to private label brands was primarily due to the expansion of the product range and increase in the number of Health Proof special designated counters, which primarily sold health supplements.

Revenue attributable to private label brands beauty supplements and products decreased by approximately HK\$6.0 million or 44.1% from approximately HK\$13.6 million to approximately HK\$7.6 million for the for nine months ended 31 December 2013 as compared with the same period last year. The decrease is primarily due to the fact that the Group focused its resources to market Health Proof products among private label brands, which were primarily health supplements.

Cost of sales and gross profit

Gross profit for the nine months ended 31 December 2013 was approximately HK\$101.0 million, representing an increase of approximately 10.4% as compared with the same period in 2012 (for the nine months ended 31 December 2012: approximately HK\$91.5 million). The gross profit margin of the Group for the nine months ended 31 December 2013 was approximately 77.4%, representing a slight decrease of approximately 0.2% as compared with the same period in 2012 (for the nine months ended 31 December 2012: approximately 77.6%).

MANAGEMENT DISCUSSION AND ANALYSIS (CONTINUED)

FINANCIAL REVIEW (CONTINUED)

Nine months ended 31 December 2013 compared with nine months ended 31 December 2012 (Continued)

Loss/(profit) for the period

The Group incurred a net loss of approximately HK\$5.4 million during the nine months ended 31 December 2013, as compared with a net profit of approximately HK\$22.9 million for the nine months ended 31 December 2012. The loss incurred was mainly due to (i) the listing expenses and other related charges of approximately HK\$15.4 million; and (ii) share-based payment incurred in respect of the Share Options granted by the Company of approximately HK\$7.4 million for the nine months ended 31 December 2013.

Besides, the Group launched marketing campaigns during the nine months ended 31 December 2013 to promote its corporate image. The total advertising and promotion expenses was increased by approximately HK\$6.4 million and approximately HK\$1.9 million in Hong Kong and Taiwan, respectively, for the nine months ended 31 December 2013 as compared with the same period last year.

CAPITAL MANAGEMENT

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

OUTLOOK

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

OTHER INFORMATION

DISCLOSURE OF INTERESTS

Directors' and chief executive's interests and short position in shares

As at 31 December 2013, 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 Director	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")	–	–	385,400,000	500,000	385,900,000	74.93%
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")	–	385,400,000	–	500,000 (note 4)	385,900,000	74.93%
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%

Notes:

- (1) Madam Tsang is the wife of Mr. Chan, who owns the entire issued share capital of Able Island. Accordingly, Madam Tsang is deemed to be interested in the 385,400,000 shares of the Company held by Able Island Group Limited ("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 the 385,400,000 shares of the Company held by Able Island by virtue of the SFO.

OTHER INFORMATION (CONTINUED)

DISCLOSURE OF INTERESTS (CONTINUED)

Directors' and chief executive's interests and short position in shares (Continued)

Long positions in shares of the Company (Continued)

Notes: (Continued)

- (3) The representing interests in the share options held by the relevant Directors as beneficial owners to subscribe for the relevant underlying shares granted by the Company under the Share Option Scheme, details of which is set out in the section headed "Share Option Scheme" in this report.
- (4) The representing interests in the share options held by Mr. Chan as beneficial owner to subscribe for the underlying shares granted by the granted by the Company under the Share Option Scheme. Madam Tsang is the wife of Mr. Chan and is deemed to be interested such share options held by Mr. Chan by virtue of the SFO.

Save as disclosed above, as at 31 December 2013, 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 nine months ended 31 December 2013 was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors of the Company 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

As at 31 December 2013, 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	385,400,000	74.83%

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

Save as disclosed above, as at 31 December 2013, 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.

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"). On 22 November 2013, the Company granted share options ("Share Options") to eligible persons of the Group to subscribe for a total of 36,500,000 ordinary share(s) of the Company in total at the exercise price of HK\$1.64 per share of the Company under the Share Option Scheme and all the grantees accepted the Share Options on the same date.

OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEME (CONTINUED)

As at 31 December 2013 and up to the date of this report, 36,500,000 Share Options and 26,500,000 Share Options were outstanding respectively under the Share Option Scheme, among which 26,800,000 Share Options were fully vested and exercisable. Movements of the Share Options, which were granted under the Share Option Scheme, during the nine months ended 31 December 2013 are listed below in accordance with chapter 23 of the GEM Listing Rules:

Category	Granted on		Exercised/ Lapsed/ Cancelled	Note
	As at 11 October 2013	22 November 2013 and as at 31 December 2013		
Directors				
Mr. CHAN Yan Tak	–	500,000	–	(1), (2)
Mr. WONG Mau Tai	–	5,000,000	–	(1), (2)
Mr. FOO Chi Ming	–	5,000,000	–	(1), (2)
Prof. NG Ka Ming	–	500,000	–	(1), (2)
Mr. CHENG Kwok Kin, Paul	–	500,000	–	(1), (2)
Mr. WEI Jianan	–	500,000	–	(1), (2)
Subtotal	–	12,000,000	–	
Continuous Contracts Employee	–	14,500,000	–	(1), (2)
Consultants	–	10,000,000	–	(2), (3)
Total	–	36,500,000	–	

Notes:

1. The Share Options shall be exercisable at any time during the period from 22 November 2013 until 21 November 2016 (both days inclusive).
2. The exercise price of the share option is HK\$1.64.
3. 300,000 Share Options shall be exercisable at any time during the period from 22 November 2013 until 21 November 2016 (both days inclusive); 4,850,000 Share Options shall be exercisable at any time during the period from 21 May 2014 until 21 November 2016 (both days inclusive); and the remaining 4,850,000 of the Share Options shall be exercisable at any time during the period from 21 November 2014 until 21 November 2016 (both days inclusive). 10,000,000 Share Options were lapsed in January 2014.

OTHER INFORMATION (CONTINUED)

SHARE OPTION SCHEME (CONTINUED)

Notes: (Continued)

4. The exercise price of the Share Options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.
5. The closing price of the shares immediately before the date on which the Share Options were granted was HK\$1.68.

The fair values of the Share Options granted during the nine months ended 31 December 2013 were calculated by Peak Vision Appraisals Limited using the Trinomial Option Pricing Model which is one of the commonly used models for such purpose. The value of an option varies with different variables of certain subjective assumptions. Any changes in the variables so adopted may materially affect the estimation of the fair value of an option. The inputs into the model were as follows:

Share price (HK\$)	1.64
Exercise price (HK\$)	1.64
Expected option life (years)	3
Expected volatility	32.32%
Dividend yield	4.74%
Risk-free interest rate	0.45%
Fair value per Share Option (HK\$)	0.2779

At 31 December 2013, 26,800,000 Share Options were fully vested and exercisable. Included in 26,800,000 Share Options, 26,500,000 Share Options were granted by the Company to directors and employees. The Group recognised a total expense of approximately HK\$7,364,000 for the nine months ended 31 December 2013 in relation to the Share Options granted by the Company to directors and employees.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the nine months ended 31 December 2013 (for the nine months ended 31 December 2012: Nil).

OTHER INFORMATION (CONTINUED)

CHANGE IN DIRECTOR'S INFORMATION

The change in information of director subsequent to the publication of the 2013/2014 interim report in November 2013 is set out below:

Mr. CHENG Kwok Kin, Paul, an independent non-executive director of the Company, was appointed as an independent non-executive director of Xinyi Solar Holdings Limited (stock code: 968, a company listed on the Stock Exchange) on 19 November 2013.

Besides, Mr. CHENG was appointed as a member of the Membership Committee and retired as a member of the Examinations Committee of the Hong Kong Securities and Investment Institute, in January 2014.

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

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in the securities of the Company. Upon the Company's specific enquiry, each Director has confirmed that during the nine months ended 31 December 2013, he or she has fully complied with the required standard of dealings and there is no event of non-compliance.

INTERESTS 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 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 31 December 2013.

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, comprising 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 committee. The Audit Committee has reviewed this report and has provided advice and comments thereon.



OTHER INFORMATION (CONTINUED)

APPROVAL OF QUARTERLY REPORT

The quarterly report and the unaudited condensed consolidated financial information for the nine months ended 31 December 2013 were approved and authorised for issue by the board of directors on 14 February 2014.

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.