

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



RM GROUP HOLDINGS LIMITED

御藥堂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 932)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2016

FINANCIAL HIGHLIGHTS

	2016	2015	Change %
	<i>HK\$'000</i>	<i>HK\$'000</i>	
Revenue	189,958	227,677	-16.57%
Gross profit	147,002	176,872	-16.89%
EBIT (<i>Note 1</i>)	15,280	40,216	-62.01%
Profit for the year	10,421	31,521	-66.94%
Earnings per share			
Basic and diluted (HK cents)	2.0	6.1	-67.21%

Note 1: EBIT represents earnings before finance costs and taxation.

The board of Directors (the “Board”) announces that the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2016 and the final results were reviewed by the audit committee of the Company and agreed with the auditors.

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

For the year ended 31 March 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
REVENUE	3	189,958	227,677
Cost of sales		<u>(42,956)</u>	<u>(50,805)</u>
GROSS PROFIT		147,002	176,872
Other revenue and other net income		204	727
Selling and distribution expenses		(40,293)	(55,136)
Administrative expenses		(91,633)	(81,172)
Equity-settled share-based payments		<u>–</u>	<u>(1,075)</u>
PROFIT FROM OPERATIONS		15,280	40,216
Finance costs	4(c)	<u>(545)</u>	<u>(301)</u>
PROFIT BEFORE TAXATION	4	14,735	39,915
Taxation	5(a)	<u>(4,314)</u>	<u>(8,394)</u>
PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		10,421	31,521
OTHER COMPREHENSIVE LOSS			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences arising on translation of foreign operations		<u>(358)</u>	<u>(34)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>10,063</u>	<u>31,487</u>
EARNINGS PER SHARE	7		
BASIC (HK CENTS PER SHARE)		<u>2.0</u>	<u>6.1</u>
DILUTED (HK CENTS PER SHARE)		<u>2.0</u>	<u>6.1</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	<i>Note</i>	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	8	54,382	17,615
Intangible assets	9	695	629
Prepayments and deposits	10	2,422	2,817
		<u>57,499</u>	<u>21,061</u>
Current assets			
Inventories		20,309	16,143
Trade and other receivables	10	49,536	63,538
Cash and cash equivalents		91,958	98,913
Bank deposits with maturity greater than three months		10,156	10,088
Tax recoverable	5(b)	5,002	–
		<u>176,961</u>	<u>188,682</u>
Current liabilities			
Trade and other payables	11	15,985	18,970
Bank loans and overdrafts	12	36,898	3,731
Tax payable	5(b)	–	4,251
Provisions		1,571	1,512
		<u>54,454</u>	<u>28,464</u>
Non-current liabilities			
Deferred tax liabilities		626	366
Net assets		<u>179,380</u>	<u>180,913</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	13	5,163	5,155
Reserves		174,217	175,758
TOTAL EQUITY		<u>179,380</u>	<u>180,913</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owners of the Company							Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	PRC statutory reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	
At 1 April 2014	5,150	122,936	(10)	-	(127)	7,364	32,818	168,131
Changes in equity for 2015:								
Profit for the year	-	-	-	-	-	-	31,521	31,521
Other comprehensive loss:								
Exchange differences arising on translation of foreign operations	-	-	-	-	(34)	-	-	(34)
Total comprehensive income for the year	-	-	-	-	(34)	-	31,521	31,487
Dividends approved in respect of the previous year	-	-	-	-	-	-	(20,600)	(20,600)
Share options lapsed	-	-	-	-	-	(139)	139	-
Equity-settled share-based payments	-	-	-	-	-	1,075	-	1,075
Shares issued under share option scheme	5	954	-	-	-	(139)	-	820
At 31 March 2015 and 1 April 2015	5,155	123,890	(10)	-	(161)	8,161	43,878	180,913
Changes in equity for 2016:								
Profit for the year	-	-	-	-	-	-	10,421	10,421
Other comprehensive loss:								
Exchange differences arising on translation of foreign operations	-	-	-	-	(358)	-	-	(358)
Total comprehensive income for the year	-	-	-	-	(358)	-	10,421	10,063
Share options lapsed	-	-	-	-	-	(1,075)	1,075	-
Shares issued under share option scheme	8	1,526	-	-	-	(222)	-	1,312
Dividends approved in respect of the previous year	-	-	-	-	-	-	(12,908)	(12,908)
Appropriation to PRC statutory reserve	-	-	-	770	-	-	(770)	-
At 31 March 2016	5,163	125,416	(10)	770	(519)	6,864	41,696	179,380

NOTES

1. CORPORATE INFORMATION AND BASIS OF PREPARATION

(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 principal place of business in Hong Kong at 27/F., The Galaxy, 313 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. On 20 November 2015, the listing of the shares of the Company has been transferred from the GEM to the Main Board of the Stock Exchange.

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, 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”).

(b) Basis of preparation

The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which collective term includes all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. The measurement basis used in the preparation of the financial statements is the historical cost basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

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

Except as described below, the application of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Annual improvements to HKFRSs 2010–2012 Cycle and 2011–2013 Cycle

The two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, HKAS 24, related party disclosures has been amended to expand the definition of a “related party” to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group’s related party disclosures as the Group does not obtain key management personnel services from management entities.

3. REVENUE

The Group is principally engaged in the sale, 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 year. An analysis of revenue is as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Health supplements	160,870	194,500
Beauty supplements and products	27,484	31,011
Others	1,604	2,166
	<u>189,958</u>	<u>227,677</u>

4. PROFIT BEFORE TAXATION

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
(a) Staff costs:		
Salaries, allowances, and other benefits (including directors' remuneration)	52,257	54,296
Contributions to defined contribution retirement plans	2,043	1,934
	<u>54,300</u>	<u>56,230</u>
(b) Other items:		
Auditors' remuneration	1,090	940
Cost of inventories (<i>note i</i>)	42,956	50,805
Depreciation on property, plant and equipment	3,015	2,186
Amortisation of intangible assets	134	114
Provision for goods returns	1,947	1,686
Operating lease charges: minimum lease payments	3,181	1,480
Research and development costs	2,131	3,146
Equity-settled share-based payments — consultant	–	1,075
Impairment loss on trade receivables	42	102
Reversal of impairment loss on trade receivables	(5)	–
Impairment loss on property, plant and equipment	1,271	–
Rent for special designated counters	25,504	22,493
	<u>54,300</u>	<u>56,230</u>
(c) Finance costs:		
Bank overdraft interest	8	227
Interest on bank loans	537	74
	<u>545</u>	<u>301</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>545</u>	<u>301</u>

Note:

- (i) For the year ended 31 March 2016, cost of inventories includes HK\$5,322,000 (2015: HK\$5,355,000) 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.

5. TAXATION

- (a) Income tax in the consolidated statement of profit or loss represents:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	2,613	8,046
PRC Enterprise Income Tax	1,441	1,222
Overprovision in respect of prior years		
Hong Kong Profits Tax	–	(874)
Deferred taxation		
Origination of temporary differences	260	–
	<u>4,314</u>	<u>8,394</u>

The provision of Hong Kong Profits Tax is calculated at 16.5% (2015: 16.5%) of the estimated assessable profits for the year.

The provision for PRC Enterprise Income Tax (the “EIT”) is calculated at the standard rate of 25% on the estimated assessable profit for the year 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 Islands, Malaysia and Taiwan have been made as the Group has no income or profit assessable for tax in these jurisdictions for the years ended 31 March 2015 and 2016.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Profit before taxation	<u>14,735</u>	<u>39,915</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	2,876	7,007
Tax effect on non-taxable income	(396)	(64)
Tax effect on non-deductible expenses	2,207	436
Tax effect of tax losses not recognised	370	1,872
Tax effect of temporary differences recognised	(8)	–
Special tax deduction	(120)	(100)
Overprovision in respect of prior years	–	(874)
Utilisation of tax losses not previously recognised	(641)	–
Others	26	117
Actual tax expense	<u>4,314</u>	<u>8,394</u>

(b) Tax (recoverable)/payable in the consolidated statement of financial position represents:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
At beginning of the year	4,251	(2,218)
Provision for the year	4,054	9,268
Overprovision in respect of prior years	–	(874)
Tax paid	(13,220)	(1,925)
Exchange adjustments	(87)	–
	<hr/>	<hr/>
At end of the year	<u>(5,002)</u>	<u>4,251</u>

6. 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 year ended 31 March 2015.

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 year ended 31 March 2016.

The Board does not recommend the payment of any dividend for the year ended 31 March 2016.

7. 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 of HK\$10,421,000 (2015: HK\$31,521,000) and the weighted average number of ordinary shares in issue of 516,271,585 (2015: 515,028,767 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (basic)

	2016 <i>Number of shares</i>	2015 <i>Number of shares</i>
Issued ordinary shares at 1 April	515,500,000	515,000,000
Effect of shares issued under share option scheme (note 13(a) and 13(b))	771,585	28,767
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue	<u>516,271,585</u>	<u>515,028,767</u>

(b) Diluted earnings per share

The calculation of diluted earnings per share is based on the profit attributable to owners of the Company of HK\$10,421,000 (2015: HK\$31,521,000) and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

Weighted average number of ordinary shares (diluted)

	2016 <i>Number of shares</i>	2015 <i>Number of shares</i>
Weighted average number of ordinary shares (basic)	516,271,585	515,028,767
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	479,678	2,133,510
Weighted average number of ordinary shares (diluted)	<u>516,751,263</u>	<u>517,162,277</u>

8. PROPERTY, PLANT AND EQUIPMENT

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Carrying amount at 1 April	17,615	17,036
Additions during the year	7,623	2,768
Purchase of assets through acquisition of a subsidiary (note 17)	34,649	–
Derecognition on disposal of a subsidiary	(1,508)	–
Depreciation provided during the year	(3,015)	(2,186)
Disposals during the year	(276)	(4)
Written back of accumulated depreciation on disposals during the year	148	1
Written back of accumulated depreciation on disposal of a subsidiary	419	–
Impairment loss recognised during the year	(1,271)	–
Exchange adjustments	(2)	–
Carrying amount at 31 March	<u>54,382</u>	<u>17,615</u>

As at 31 March 2016, the Group has pledged its leasehold land and buildings held for own use with carrying amount of HK\$44,639,000 (2015: HK\$5,939,000) to a bank to secure banking facilities granted to the Group (note 12).

9. INTANGIBLE ASSETS

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Carrying amount at 1 April	629	743
Additions during the year	200	–
Amortisation charge for the year	(134)	(114)
Carrying amount at 31 March	<u>695</u>	<u>629</u>

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

10. TRADE AND OTHER RECEIVABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade receivables	35,015	47,853
Less: Allowance for doubtful debts	<u>(139)</u>	<u>(102)</u>
	34,876	47,751
Other receivables	<u>3,969</u>	<u>1,538</u>
Loans and receivables	<u>38,845</u>	49,289
Prepayments	6,589	9,684
Deposits	<u>6,524</u>	<u>7,382</u>
	<u>13,113</u>	<u>17,066</u>
	<u>51,958</u>	<u>66,355</u>
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Analysis of trade and other receivables:		
Non-current portion	2,422	2,817
Current portion	<u>49,536</u>	<u>63,538</u>
	<u>51,958</u>	<u>66,355</u>

The amount of the Group's deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$1,074,000 (2015: HK\$911,000) and HK\$1,348,000 (2015: HK\$1,906,000), respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

Included in trade and other receivables are trade receivables (net of allowance for doubtful debts) with the following ageing analysis presented based on invoice date as at the end of the reporting period:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–30 days	17,556	39,374
31–60 days	6,451	7,728
61–90 days	7,102	5
91–180 days	199	252
181–365 days	2,971	25
Over 365 days	<u>597</u>	<u>367</u>
	<u>34,876</u>	<u>47,751</u>

Trade receivables are normally due within 0-90 days from the date of billing. The Group has adopted a policy of only doing business with creditworthy counterparties.

11. TRADE AND OTHER PAYABLES

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Trade payables	3,745	5,965
Salary and welfare payables	5,866	4,605
Accrued advertising expenses	3,310	4,548
Other payables and accruals	3,064	3,852
	<u>15,985</u>	<u>18,970</u>

All of the trade and other payables are expected to be settled or recognised as income within one year or are repayable on demand.

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
0–30 days	1,253	3,577
31–60 days	910	653
61–90 days	90	595
91–180 days	1,426	1,091
Over 365 days	66	49
	<u>3,745</u>	<u>5,965</u>

12. BANK LOANS AND OVERDRAFTS

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Carrying amount of bank loans and overdrafts that contain a repayment on demand clause:		
Repayable within one year	7,712	1,918
Repayable after one year (shown under current liabilities)	29,186	1,813
	<u>36,898</u>	<u>3,731</u>

As at 31 March 2016, the bank loans and overdrafts of the Group are secured by the leasehold land and buildings with carrying amount of HK\$44,639,000 (2015: HK\$5,939,000).

13. SHARE CAPITAL

	<i>Note</i>	Number of ordinary shares of HK\$0.01 per share	Nominal value ordinary shares HK\$
<i>Authorised:</i>			
At 1 April 2014, 31 March 2015, 1 April 2015 and 31 March 2016		<u>1,000,000,000</u>	<u>10,000,000</u>
<i>Issued and fully paid:</i>			
At 1 April 2014		515,000,000	5,150,000
Shares issued under share option scheme	(a)	<u>500,000</u>	<u>5,000</u>
At 31 March 2015 and 1 April 2015		515,500,000	5,155,000
Shares issued under share option scheme	(b)	<u>800,000</u>	<u>8,000</u>
At 31 March 2016		<u>516,300,000</u>	<u>5,163,000</u>

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

Notes:

- (a) 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 in accordance with the Group's accounting policy.
- (b) 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 in accordance with the Group's accounting policy.

14. 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
- 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.

(a) Segment results, assets and liabilities

Information regarding the Group's reportable segments as provided to the Board for the purpose of resource allocation and assessment of segment performance for the years ended 31 March 2016 and 2015 is set out below:

	For the year ended 31 March 2016							
	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	107,924	26,452	51,964	982	982	50	1,604	189,958
Cost of sales	(24,723)	(9,227)	(7,405)	(913)	(434)	(23)	(231)	(42,956)
Gross profit	83,201	17,225	44,559	69	548	27	1,373	147,002
Selling and distribution expenses	(27,130)	(4,332)	(8,205)	(107)	(115)	(2)	-	(39,891)
Administrative expenses	(5,824)	(203)	(18,225)	(317)	(484)	-	-	(25,053)
Segment results	<u>50,247</u>	<u>12,690</u>	<u>18,129</u>	<u>(355)</u>	<u>(51)</u>	<u>25</u>	<u>1,373</u>	<u>82,058</u>
Other revenue and other net income								204
Unallocated head office and corporate expenses								(66,982)
Finance costs								(545)
Profit before taxation								<u>14,735</u>

	For the year ended 31 March 2015							
	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	150,046	28,173	42,782	2,705	1,672	133	2,166	227,677
Cost of sales	(32,692)	(9,754)	(6,621)	(708)	(428)	(57)	(545)	(50,805)
Gross profit	117,354	18,419	36,161	1,997	1,244	76	1,621	176,872
Selling and distribution expenses	(41,157)	(7,088)	(5,896)	(448)	(205)	(4)	-	(54,798)
Administrative expenses	(7,132)	(291)	(13,325)	(581)	(728)	-	-	(22,057)
Segment results	<u>69,065</u>	<u>11,040</u>	<u>16,940</u>	<u>968</u>	<u>311</u>	<u>72</u>	<u>1,621</u>	100,017
Other revenue and other net income								727
Unallocated head office and corporate expenses								(60,528)
Finance costs								(301)
Profit before taxation								<u>39,915</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	
	2016 HK\$'000	2015 HK\$'000
Proprietary brands:		
Health supplements	401	453
Beauty supplements and products	56	64
Private label brands:		
Health supplements	136	96
Beauty supplements and products	3	6
Trading of goods:		
Health supplements	2	3
Beauty supplements and products	1	1
Unallocated	<u>2,550</u>	<u>1,677</u>
Total	<u>3,149</u>	<u>2,300</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 or the location of the operation to which the assets are allocated.

Revenue from external customers

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong (place of domicile)	178,936	218,548
The PRC	10,559	7,735
Taiwan	463	1,394
	<u>189,958</u>	<u>227,677</u>

Non-current assets

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Hong Kong (place of domicile)	57,227	20,782
The PRC	245	167
Taiwan	27	112
	<u>57,499</u>	<u>21,061</u>

(c) Information about major customer

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

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Customer A (<i>note (i)</i>)	116,071	153,638

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.

15. COMMITMENTS

(a) Capital commitments

As at 31 March 2015 and 2016, the Group had capital commitments contracted but not provided for in the financial statements as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Contracted for — Property, plant and equipment	<u>867</u>	<u>—</u>

(b) Operating lease commitments

As lessee

At 31 March 2015 and 2016, the Group had outstanding commitments under non-cancellable operating leases falling due as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Within one year	1,150	3,649
In the second to fifth year, inclusive	<u>917</u>	<u>5,580</u>
	<u>2,067</u>	<u>9,229</u>

The Group leases warehouses, office premises and shop premises under non-cancellable operating lease arrangements with lease terms of one to five years, with an option to renew the lease when all terms are renegotiated. None of the lease includes contingent rentals.

16. RELATED PARTY TRANSACTIONS

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

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors, highest paid employees and other senior management of the Group are as follows:

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Short-term employee benefits	11,692	11,108
Post-employment benefits	<u>147</u>	<u>152</u>
	<u>11,839</u>	<u>11,260</u>

(b) Transactions with related parties

	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Rental expenses paid to a related party (<i>note i</i>)	80	–
Rental expenses paid to Great Victor Limited (<i>note ii</i>)	131	–
Rental expenses paid to Sunex Limited (<i>note iii</i>)	68	–
	<u><u> </u></u>	<u><u> </u></u>

As at 31 March 2015 and 31 March 2016, the Group had total future minimum lease payables under non-cancellable operating lease falling due as follows:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>
Within one year	465	–
In the second to fifth year	538	–
	<u><u> </u></u>	<u><u> </u></u>
	1,003	–

Notes:

- (i) The rental expenses were paid to Mr. Cheng Jonathan Chung Shing, a close 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.
- (iii) The rental expenses were paid to Sunex Limited, a company wholly-owned by Ms. Wong Chui Lan, senior management of the Group.

(c) Balances with related parties

The Group leases office premises from related parties as detailed in note 16(b) above under operating lease arrangements with lease terms of two 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 31 March 2015 and 31 March 2016 are detailed as follows:

	As at 31 March 2016 <i>HK\$'000</i>	As at 31 March 2015 <i>HK\$'000</i>
Mr. Cheng Jonathan Chung Shing	20	–
Great Victor Limited	29	–
Sunex Limited	34	–
	<u><u> </u></u>	<u><u> </u></u>

(d) Purchase of assets and liabilities through acquisition of a subsidiary from an executive director of the Company

The details are set out in note 17.

17. 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, the controlling shareholder and an executive 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 HK\$'000
Leasehold land and buildings held for own use	34,649
Cash and bank balances	87
Deposits and prepayments	56
Other receivables	1,459
Accruals	(44)
Bank loans	(16,797)
	<hr/>
Net assets acquired	19,410
	<hr/> <hr/>
Consideration represented:	
Cash consideration	19,410
	<hr/> <hr/>
Net cash outflow arising from the acquisition:	
Cash consideration paid	(19,410)
Cash and bank balances	87
	<hr/>
	(19,323)
	<hr/> <hr/>

18. DISPOSAL OF SUBSIDIARIES

- (a) 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/>
Net liabilities derecognised	139
	<hr/>
Result on disposal of subsidiary:	
Consideration received	—
Net liabilities derecognised	139
Written off of receivables due from subsidiary disposed of	(1,886)
Waiver of payables due to subsidiary disposed of	1,276
	<hr/>
Loss on disposal	(471)
	<hr/>
Net cash inflow arising on disposal:	
Cash consideration received	—
Cash and cash equivalents disposed of	—
	<hr/>
	<hr/> <hr/>

- (b) On 29 March 2016, the Group disposed of the entire issued share capital in Mutual Act Limited (“Mutual Act”) to Billion Shiner Limited, an independent third party, at a cash consideration of HK\$1,000,000.

The net liabilities of Mutual Act at the date of disposal were as follows:

	<i>HK\$'000</i>
Consideration received:	
Cash received	1,000
	<u>1,000</u>
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	(1,089)
Prepayments and deposits	(327)
Other receivables	(546)
Receipt in advance	90
Other payables	2,107
	<u>2,107</u>
Net liabilities derecognised	235
	<u>235</u>
Result on disposal of subsidiary:	
Consideration received	1,000
Expenses paid in connection with the disposal	(122)
Net liabilities derecognised	235
Written off of receivables due from subsidiary disposed of	(2,107)
Waiver of payables due to subsidiary disposed of	546
	<u>546</u>
Loss on disposal	(448)
	<u>(448)</u>
Net cash inflow arising on disposal:	
Cash consideration received	1,000
Cash and cash equivalents disposed of	–
Expenses paid in connection with the disposal	(122)
	<u>(122)</u>
	<u>878</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the business of formulation, marketing, sales and distribution of health supplements and beauty supplements and products mainly in Hong Kong, the People's Republic of China (the "PRC") and Taiwan. The Group's products are sold under its proprietary brands and private label brands specifically developed for 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 Distribution Facilitator remains as the Group's major customer during the year ended 31 March 2016, which contributed to approximately 61.1% of the Group's total revenue. During the year, the Group operated three Chinese medicine clinics to provide traditional Chinese medicine treatments, services and retailing of health supplements to the general public consumers as well as building the brand image of the Company's products. Since the commencement of operations of the flagship Chinese medicine clinic in the Jordan district, Kowloon, it has not been as successful as anticipated and incurred losses. In order to strike for cost effectiveness in the Group's Chinese medicine clinic business, the Group ceased the operations of the flagship Chinese medicine clinic and disposed of the wholly owned subsidiary, which owned the assets and premises lease of the flagship Chinese medicine clinic, to an independent third party in March 2016.

The following table sets forth the revenue generated from new products introduced by the Group during the two years ended 31 March 2016:

	For the year ended 31 March			
	2016		2015	
	Number of new products introduced	Revenue HK\$'000	Number of new products introduced	Revenue HK\$'000
Health supplements:				
Proprietary brands	2	3,261	7	11,170
Private label brands	3	3,960	4	4,685
Trading of goods	8	128	7	1,673
	<u>13</u>	<u>7,349</u>	<u>18</u>	<u>17,528</u>
Beauty supplements and products:				
Proprietary brands	1	5,258	1	265
Private label brands	–	–	5	296
Trading of goods	–	–	1	133
	<u>1</u>	<u>5,258</u>	<u>7</u>	<u>694</u>
Total	<u>14</u>	<u>12,607</u>	<u>25</u>	<u>18,222</u>

As at 31 March 2016, the Group sold and distributed 34 (2015: 33) health supplements and 9 (2015: 8) beauty supplements and products under its proprietary brands; 41 (2015: 39) health supplements and 8 (2015: 9) beauty supplements and products under the Distribution Facilitator's private label brands; 15 (2015: 7) health supplements and 1 (2015: 1) beauty supplements and products under trading of goods.

FINANCIAL REVIEW

Revenue — Business segments

The following table sets forth the breakdown of the Group's revenue by business segments for the two years ended 31 March 2016:

	For the year ended 31 March			
	2016		2015	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Business segments				
Health supplements	160,870	84.7%	194,500	85.4%
Beauty supplements and products	27,484	14.5%	31,011	13.6%
Others	1,604	0.8%	2,166	1.0%
	<u>189,958</u>	<u>100.0%</u>	<u>227,677</u>	<u>100.0%</u>
Total	<u>189,958</u>	<u>100.0%</u>	<u>227,677</u>	<u>100.0%</u>

The Group recorded a revenue of approximately HK\$190.0 million for the year ended 31 March 2016 (2015: HK\$227.7 million), representing a decrease of approximately HK\$37.7 million or 16.6% over the last year. The Group's revenue attributable to health supplements decreased by approximately HK\$33.6 million or 17.3% to HK\$160.9 million (2015: HK\$194.5 million), while its revenue attributable to beauty supplements and products decreased by approximately HK\$3.5 million or 11.3% to HK\$27.5 million (2015: HK\$31.0 million), for the year ended 31 March 2016.

For the year ended 31 March 2016, the Group's top 5 best-selling products were Royal Medic No.1 Chinese Cs-4, RM Broken Ganoderma Spore, Melty Enzyme, Health Proof Junior Milk CA+DHA PF and Royal Medic Liver Guard, which in aggregate contributed to approximately HK\$79.4 million or 41.8% of the Group's total revenue.

For the year ended 31 March 2015, the Group's top 5 best-selling products were Royal Medic No.1 Chinese Cs-4, La Gusto Slim Coffee, Melty Enzyme, Health Proof Junior Milk CA+DHA PF and RM Broken Ganoderma Spore, which in aggregate contributed to approximately HK\$116.2 million or 51.0% of the Group's total revenue.

Proprietary brands health supplements

The Group's revenue attributable to proprietary brands health supplements decreased by approximately HK\$42.1 million or 28.1% to HK\$107.9 million for the year ended 31 March 2016 (2015: HK\$150.0 million). The decrease in revenue is attributable to (i) different scheduling of one day special promotion events of health supplements being held in the year ended 31 March 2016 as compared with those held in the year ended 31 March 2015, and (ii) weak performance of the retail sector in Hong Kong.

Private label brands health supplements

Revenue attributable to private label brands health supplements increased by approximately HK\$9.2 million or 21.5% to HK\$52.0 million for the year ended 31 March 2016 (2015: HK\$42.8 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 ("SDCs"), which primarily sold health supplements.

Trading of health supplements

Revenue attributable to trading of health supplements decreased by approximately HK\$0.7 million to HK\$1.0 million for the year ended 31 March 2016 (2015: HK\$1.7 million).

Proprietary brands beauty supplements and products

Revenue attributable to proprietary brands beauty supplements and products decreased by approximately HK\$1.7 million or 6.0% to HK\$26.5 million for the year ended 31 March 2016 (2015: HK\$28.2 million). The decrease in revenue is attributable to different scheduling of one day special promotion events of beauty supplements and products being held in year ended 31 March 2016 as compared with those held in the year ended 31 March 2015.

Private label brands beauty supplements and products

Revenue attributable to private label brands beauty supplements and products decreased by approximately HK\$1.7 million or 63.0% to HK\$1.0 million for the year ended 31 March 2016 (2015: HK\$2.7 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.

Trading of beauty supplements and products

Revenue attributable to the trading of beauty supplements and products decreased by approximately HK\$83,000 to HK\$50,000 for the year ended 31 March 2016 (2015: HK\$133,000).

Revenue — Sales and distribution

The following table sets forth the breakdown of the Group's revenue by distribution channels for the two years ended 31 March 2016:

	For the year ended 31 March			
	2016		2015	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Shelves in the Distribution				
Facilitator's stores	116,071	61.1%	153,638	67.5%
SDCs located in the Distribution				
Facilitator's stores	50,715	26.7%	50,652	22.2%
Other distribution channels (<i>Note 1</i>)	11,436	6.0%	10,016	4.4%
Hong Kong Brands and Products Expo	10,132	5.3%	11,205	4.9%
Others (<i>Note 2</i>)	1,604	0.9%	2,166	1.0%
Total	189,958	100.0%	227,677	100.0%

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

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

As at 31 March 2016, the Group had 17 (2015: 13) Royal Medic SDCs and 20 (2015: 15) Health Proof SDCs in the Distribution Facilitator's stores in Hong Kong.

Revenue — Geographical segments

The following table sets forth the breakdown of the Group's revenue by geographic segments for the two years ended 31 March 2016:

	For the year ended 31 March			
	2016		2015	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Hong Kong	178,936	94.2%	218,548	96.0%
The PRC	10,559	5.6%	7,735	3.4%
Taiwan	463	0.2%	1,394	0.6%
Total	189,958	100.0%	227,677	100.0%

Cost of sales

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

Gross profit and gross profit margin

The following table sets forth the breakdown of the Group's gross profit and gross profit margin by operating segments for the two years ended 31 March 2016:

	For the year ended 31 March			
	2016		2015	
	HK\$'000	%	HK\$'000	%
Health supplements:				
Proprietary brands	83,201	77.1%	117,354	78.2%
Private label brands	44,559	85.7%	36,161	84.5%
Trading of goods	548	55.8%	1,244	74.4%
	<u>128,308</u>	<u>79.8%</u>	<u>154,759</u>	<u>79.6%</u>
Beauty supplements and products:				
Proprietary brands	17,225	65.1%	18,419	65.4%
Private label brands	69	7.0%	1,997	73.8%
Trading of goods	27	54.6%	76	57.1%
	<u>17,321</u>	<u>63.0%</u>	<u>20,492</u>	<u>66.1%</u>
Others	<u>1,373</u>	<u>85.6%</u>	<u>1,621</u>	<u>74.8%</u>
Total	<u>147,002</u>	<u>77.4%</u>	<u>176,872</u>	<u>77.7%</u>

Gross profit for the year ended 31 March 2016 was approximately HK\$147.0 million (2015: HK\$176.9 million), representing a decrease of approximately 16.9% over last year. The gross profit margin of the Group for the year ended 31 March 2016 was approximately 77.4% (2015: 77.7%), representing a decrease of approximately 0.3% over last year.

Other revenue and other net income

The Group's other revenue and other net income decreased by approximately HK\$0.5 million to HK\$0.2 million for the year ended 31 March 2016 (2015: HK\$0.7 million). The Group's other revenue and other net income primarily comprised of sales of packaging materials, exchange gain, bank interest income and net loss on disposal of subsidiaries. Included in the Group's other revenue and other net income was other loss of approximately HK\$0.9 million arising from the disposal of two subsidiaries during the year ended 31 March 2016 (2015: Nil).

Selling and distribution expenses

The Group's selling and distribution expenses principally consist of (i) advertising and promotion expenses on advertisements through various channels including TV media, printed media, outdoor advertising and digital media as well as engagement of artistes as brand ambassadors to endorse the Group's products; (ii) commission paid to sales promoters; and (iii) exhibition expenses. The following table sets forth the breakdown of the major items of the Group's selling and distribution expenses for the two years ended 31 March 2016:

	For the year ended 31 March			
	2016		2015	
	HK\$'000	%	HK\$'000	%
Advertising and promotion expenses	22,765	56.5%	35,788	64.9%
Commission charges	14,087	35.0%	15,283	27.7%
Exhibition expenses	1,860	4.6%	1,426	2.6%
Others	1,581	3.9%	2,639	4.8%
Total	<u>40,293</u>	<u>100.0%</u>	<u>55,136</u>	<u>100.0%</u>

The Group's selling and distribution expenses decreased by approximately HK\$14.8 million or 26.9% to HK\$40.3 million for the year ended 31 March 2016 (2015: HK\$55.1 million). It was primarily attributable to the drive for cost effectiveness in managing marketing expenses in both Hong Kong and Taiwan.

Administrative expenses

The administrative expenses mainly consist of salaries and staff related costs for administrative personnel (including the Directors), rent for SDCs, consultancy fees and research and development costs. The following table sets forth a breakdown of the major items of the Group's administrative expenses for the two years ended 31 March 2016:

	For the year ended 31 March			
	2016		2015	
	HK\$'000	%	HK\$'000	%
Salaries	29,748	32.5%	30,477	37.5%
Rent for SDCs	25,504	27.8%	22,493	27.7%
Legal and professional fees	6,960	7.6%	4,777	5.9%
Directors' emoluments	5,121	5.6%	5,110	6.3%
Operating lease charges: minimum lease payments	3,181	3.5%	1,480	1.8%
Depreciation	2,551	2.8%	1,677	2.1%
Contributions to defined contribution retirement plans and other staff benefits	2,435	2.6%	2,201	2.7%
Research and development costs	2,131	2.3%	3,146	3.9%
Impairment loss on property, plant and equipment	1,271	1.4%	–	–
Donation	1,009	1.1%	47	0.1%
Others	11,722	12.8%	9,764	12.0%
Total	<u>91,633</u>	<u>100.0%</u>	<u>81,172</u>	<u>100.0%</u>

The Group's administrative expenses increased by approximately HK\$10.4 million or 12.8% to HK\$91.6 million for the years ended 31 March 2016 (2015: HK\$81.2 million). It was primarily attributable to (i) the increase in rent for SDCs and operating lease charges, (ii) the increase in 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 ("Transfer of Listing") and connected transactions, (iii) the increase in donation in relation to selecting a preferred stock code for the Company at the Transfer of Listing, (iv) the increase in depreciation as result of the acquisition of leasehold properties during the year and, (v) the impairment loss on property, plant and equipment resulting from a reduction in the fair values of properties held by the Group.

Equity-settled share-based payments

During the year ended 31 March 2015, the Group recognised a total expense of approximately HK\$1.1 million (2016: Nil) in relation to the Share Options granted by the Company to a consultant.

Profit before taxation

The Group's profit before taxation decreased by approximately HK\$25.2 million to HK\$14.7 million for the year ended 31 March 2016 (2015: HK\$39.9 million).

Taxation

Taxation for the year ended 31 March 2016 was approximately HK\$4.3 million (2015: HK\$8.4 million). The tax effects on (i) non-deductible expenses and (ii) tax losses not recognised, have contributed to the extent of taxation incurred in the year under review.

Profit for the year

As a result of the foregoing factors, the Group's net profit decreased by approximately HK\$21.1 million to HK\$10.4 million for the year ended 31 March 2016 (2015: HK\$31.5 million).

Inventories

The inventories increased by approximately HK\$4.2 million or 26.1% to HK\$20.3 million as at 31 March 2016 (2015: HK\$16.1 million). The Group's total inventory turnover days increased to 155 days for the year ended 31 March 2016 (2015: 121 days), which was primarily due to the Group increased its inventory level in meeting market demand after taking into consideration of (i) delivery lead time of materials; (ii) special promotion event taking place shortly after the year end date; and (iii) processing time for activities to produce finished goods and take them to a state ready for sale, such as, where applicable, lab safety testing, encapsulation, bottling, packaging and so forth.

Trade and other receivables

Trade and other receivables decreased by approximately HK\$14.0 million or 22.0% to HK\$49.5 million as at 31 March 2016 (2015: HK\$63.5 million). Of which, trade receivables decreased by approximately HK\$12.9 million or 27.0% to HK\$34.9 million as at 31 March 2016 (2015: HK\$47.8 million). The Group's total receivable turnover days increased to 79 days for the year ended 31 March 2016 (2015: 52 days), which was primarily due to the Distribution Facilitator and the distributor in the PRC taking longer to settle payment.

Trade and other payables

Trade and other payable decreased by approximately HK\$3.0 million or 15.8% to HK\$16.0 million as at 31 March 2016 (2015: HK\$19.0 million). Of which, trade payable decreased by approximately HK\$2.3 million or 38.3% to HK\$3.7 million as at 31 March 2016 (2015: HK\$6.0 million). The Group's total payable turnover days increased to 42 days for the year ended 31 March 2016 (2015: 36 days).

Disclaimer

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

FINANCIAL POSITION AND LIQUIDITY

As at 31 March 2016, cash and bank balances of the Group amounted to approximately HK\$102.1 million (2015: HK\$109.0 million) and the current ratio (current assets divided by current liabilities) of the Group was 3.2 times as at 31 March 2016 (2015: 6.6 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 20.6% as at 31 March 2016 (2015: 2.1%). The increase in gearing ratio was primarily due to increase in mortgage bank loans for the Group's property. In view of the Group's current level of cash and bank balances, funds generated internally from operations and the unutilised banking facilities available, the Board is confident that the Group will have sufficient resources to meet its financial needs for its operations. As at 31 March 2016, the Group has unutilised general banking facilities of approximately HK\$10.6 million (2015: HK\$22.2 million).

CAPITAL MANAGEMENT

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

EMPLOYEE INFORMATION

As at 31 March 2016, the Group had 157 (2015: 172) employees. For the year ended 31 March 2016, staff cost including directors' remuneration was approximately HK\$54.3 million (2015: HK\$56.2 million).

REMUNERATION POLICY

The Group's Directors and senior management receive compensation in the form of salaries, benefits in kind and discretionary bonuses with reference to salaries paid by comparable companies, time commitment and the performance of the Group. The Group also reimburses them for expenses, which are necessarily and reasonably incurred for the provision of services to the Group or executing their functions in relation to the operations of the Group. The Group regularly reviews and determines the remuneration and compensation package of the Group's Directors and senior management, by reference to, among other things, market level of salaries paid by comparable companies, the respective responsibilities of the Group's Directors and the performance of the Group.

OUTLOOK

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 expenses 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”.

The Group will continue to look for opportunities to collaborate with different reputable universities to conduct researches for the purpose of developing of more new health supplements.

Overseas markets

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

The Group will continue to sell its products in the stores of a major distribution facilitator in Taiwan on a non-exclusive basis and without the use of promoters. At the same time, the Group modified its marketing and distribution strategy by launching more products in Taiwan through popular TV shopping media on a regular basis. For the purpose of further development of the markets, the Group is also looking for other new distributors in Taiwan.

Besides the traditional drug stores, the Group is developing online ecommerce to suit the new shopping behavior in Taiwan. Currently, the Group is working closely with local digital business partners to establish online shops to capture new business opportunities.

The Group has entered into a supplemental agreement with its existing sole-distributor of certain products of the Group in the PRC revoking its sole-distributorship status. The Group is also exploring opportunities in appointing new distributors in the PRC to promote and sell certain of the Group’s products in the PRC.

The Group commenced to apply for product registration with the Thailand Food and Drug Administration for a key product. Also, in order to meet the distribution criteria of certain Southeast Asian countries, the Group is in the process of applying for HALAL certification.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in notes 17 and 18 to this announcement, there was no other material acquisition and disposal of subsidiaries, associated companies and joint ventures during the year ended 31 March 2016.

CONTINGENT LIABILITIES

As at 31 March 2015 and 2016, the Group had no material contingent liabilities.

CAPITAL COMMITMENT

Save as disclosed in note 15 to this announcement, the Group did not have significant capital commitment as at 31 March 2015 and 2016.

FOREIGN EXCHANGE EXPOSURE

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 (“US\$”) and Renminbi (“RMB”). Given that the Hong Kong dollar is pegged to the US\$, the impact of foreign exchange rate fluctuation is insignificant. In view of the recent measures undertaken by the PRC Government to devalue the RMB, management will continue to manage and monitor such currency exposure to ensure appropriate measures are implemented in a timely and effective manner.

CHARGES ON ASSETS

As at 31 March 2016, the Group has secured bank loans and overdrafts of approximately HK\$36.9 million (2015: HK\$3.7 million). The banking facilities are secured by the Group’s land and buildings, having carrying amount of approximately HK\$44.6 million as at 31 March 2016 (2015: HK\$5.9 million).

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 of the Company dated 30 September 2013 (the “Prospectus”) with the Group’s actual business progress for the period from 1 April 2015 onwards is set out below:

Business objectives for the period from 1 April 2015 onwards as stated in the Prospectus	Actual business progress up to 31 March 2016
<p><i>Expansion of distribution network</i></p> <p>Set up about 2–4 new SDCs</p> <p>Employ more promoters</p>	<p>The Group continues to identify suitable stores of the Distribution Facilitator to set up SDCs. 7 Health Proof SDCs and 4 Royal Medic SDCs were set up during the year ended 31 March 2016. The Group had 37 SDCs including 17 Royal Medic SDCs and 20 Health Proof SDCs as at 31 March 2016.</p> <p>The Group continues to employ promoters and employed 91 promoters as at 31 March 2016 (As at 31 March 2015: 100).</p>
<p><i>Collaboration with CUCAMed to develop products</i></p> <p>Launch more new health supplements under the brand of “LEGEND”</p> <p>Engaging brand ambassadors to promote the products</p> <p>Strengthen the Group’s branding and marketing strategies through various media and channels</p>	<p>The Group launched five health supplements under “LEGEND” as at 31 March 2016.</p> <p>The contract of a brand ambassador to promote the products under “LEGEND” expired in May 2016.</p> <p>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.</p> <p>The Group collaborated with a university, conducted two scientific researches for the purpose of the development of new health supplements.</p>

Business objectives for the period from 1 April 2015 onwards as stated in the Prospectus (Continued)	Actual business progress up to 31 March 2016
<p><i>Expanding overseas markets</i></p> <p>Engaging brand ambassadors in Taiwan</p> <p>Strengthen the Group's branding and marketing strategies through various media and channels in Taiwan</p> <p>Continue to explore the opportunities in other overseas markets</p>	<p>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.</p> <p>The Group's products continue to be sold in the stores of a major distribution facilitator in Taiwan on a non-exclusive basis and without the use of promoters. At the same time, the Group modified its marketing and distribution strategy by launching more products in Taiwan through popular TV shopping media on a regular basis. For the purpose of further development of the markets, the Group is also looking for other new distributors in Taiwan.</p> <p>The Group has entered into a supplemental agreement with its existing sole-distributor of its certain products in the PRC in revoking its sole-distributorship status. The Group is also exploring opportunities in appointing new distributor in the PRC to promote and sell certain of its products in the PRC.</p> <p>The Group commenced to apply for product registration with the Thailand Food and Drug Administration for a key product. Also, in order to meet the distribution criteria of certain Southeast Asian countries, the Group is in the process of applying for HALAL certification.</p>
<p><i>Enhancing the Group's marketing and promotion activities in Hong Kong</i></p> <p>Engaging brand ambassadors in Hong Kong</p> <p>Strengthen the Group's branding and marketing strategies through various media and channels in Hong Kong</p>	<p>The Group continues the engagement of brand ambassadors to promote the Group's products in Hong Kong.</p> <p>The Group continues to promote its products through various media and channels, such as television commercials and printed media, in Hong Kong.</p>

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 31 March 2016, 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 HK\$'000	1 April 2015 onwards HK\$'000	11 October 2013 to 31 March 2015 HK\$'000	1 April 2015 to 31 March 2016 HK\$'000	Total amount utilised up to 31 March 2016 HK\$'000
Expansion of distribution network	5,950	3,950	–	948	948
Collaboration with CUCAMed to develop products	47,600	28,650	5,393	896	6,289
Expanding overseas markets	41,650	22,443	271	1,287	1,558
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>10,574</u>	<u>32,595</u>

PRINCIPAL RISKS AND UNCERTAINTIES

Based on the Group's risk management system, the Group has examined all of the possible risks and uncertainties that might affect the Group and considered that the most important risks and uncertainties would include:

Regulatory risks

The health supplement industry in Hong Kong generally believes that changes in regulatory policies and laws in respect of the monitoring and control of food and health supplement products which include Chinese medicinal ingredients may be proposed and implemented by the authorities concerned in the coming years. Significant effect may impact on the future development of health supplements as well as the food industry. If the Group fails to keep up and comply with these changes, such factors would affect the Group's success.

The Group has closely monitored the regulatory changes, strengthened its interpretation and analysis capability of regulatory policies and would adjust strategies in advance to cope with the ever changing operating environment.

Prolonged economic downturn

The Group's business is closely related to the economic conditions of Hong Kong. Slowing economic growth or a recession may affect consumer preferences and spending which in turn could have a material adverse effect on the Group's business, operational results and financial conditions.

In response to these challenges, the Group will actively implement effective cost control measures, including reduction of administration costs, bargaining with suppliers for a better pricing as well as establishing its own facilities to reduce subcontracting costs. The Group will also continue to roll out more new products and open up more distribution channels, and plan to further expand its business outside Hong Kong.

Failure to introduce successful new products

Owing to the rapid changing nature of the health and beauty supplements products markets in Hong Kong, if the Group fails to anticipate market trends and develop new products to respond to such trends in a timely manner, it will adversely affect its business in the long term.

In addition to the Group's own product development and collaboration with external research partners, such as with CUCAMed to promote and sell products developed by CUCAMed under the brand "LEGEND", the Group is also actively looking for opportunities to collaborate with different reputable universities to conduct researches for the purpose of developing new products. Besides researches, the Group also will continue to place strong emphasis on a multifaceted market strategy through utilising various media and channels to promote its brands and products.

PURCHASE, REDEMPTION OR 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 year ended 31 March 2016 (2015: Nil).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: HK2.5 cents).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 8 August 2016 to Tuesday, 9 August 2016 (both dates inclusive), during which no transfer of shares of the Company will be effected. In order to qualify for attendance of the annual general meeting of the Company to be held on 9 August 2016, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company's branch share registrar, Tricor Investor Services Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Friday, 5 August 2016.

CORPORATE GOVERNANCE PRACTICES

The Company recognises the importance of good corporate governance to the Company's growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the Company's needs. Throughout the year ended 31 March 2016, the Group has complied with the code provisions as set out in the Corporate Governance Code (amended from time to time, the "Code") contained in the Appendix 15 of the GEM Listing Rules from 1 April 2015 to 19 November 2015 and the Appendix 14 of the Listing Rules from 20 November 2015 to 31 March 2016 except for the deviation from the Code provision A.2.1 under the Appendix 15 of the GEM Listing Rules and the Appendix 14 of the Listing Rules.

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. Mr. Chan Yan Tak is the chairman of the Board and the chief executive officer of the Company. Mr. Chan Yan Tak has been responsible for the overall management and strategic development of the Group since 2005. His expert knowledge in the areas of development and retail marketing of health and beauty supplement products has assisted the Group to grow substantially during the past ten years. The Board therefore agreed that it is beneficial to and in the interest of the Group for Mr. Chan Yan Tak to continue with his roles as the chairman of the Board and chief executive officer of the Company.

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

The Company has adopted the required standard of dealings the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Rules 5.48 to 5.67 of the GEM Listing Rules and the Appendix 10 of 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 from 1 April 2015 to 19 November 2015 he or she has fully complied with the Model Code under the GEM Listing Rules and from 20 November 2015 to 31 March 2016 he or she has fully complied with the Model Code under the Listing Rules, and there is no event of non-compliance.

AUDIT COMMITTEE

The Company has an audit committee (the "Audit Committee") which has been established in compliance with Rule 3.21 of the Listing Rules. The Audit Committee comprises three members, namely Mr. Cheng Kwok Kin, Paul (chairman), Professor Ng Ka Ming and Ms. Szeto Wai Ling, Virginia (she was appointed on 15 April 2016 to replace Mr. Wei Jianan, who passed away on 2 February 2016) all are independent non-executive Directors.

The Audit Committee has reviewed the consolidated financial results of the Group for the year ended 31 March 2016.

PUBLICATION OF THE ANNUAL RESULT ANNOUNCEMENT AND ANNUAL REPORT

This result announcement is published on the website of the Company at <http://www.royalmedic.com> and Hong Kong Exchanges and Clearing Limited at www.hkexnews.hk. The 2015/2016 Annual Report and the Notice of annual general meeting will be published and dispatched in the manner as required by the Listing Rules in due course.

SCOPE OF WORK OF MESSRS. CCIF CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2016 as set out in this preliminary announcement have been agreed by the Group's auditor, Messrs. CCIF CPA Limited ("CCIF"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by CCIF in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by CCIF on this preliminary announcement.

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

Hong Kong, 29 June 2016

As at the date of this announcement, the executive Directors of the Company are Mr. CHAN Yan Tak, Mr. WONG Mau Tai, Mr. LEE Chi Hang, Sidney, Mr. LIM Ming Shing, Tony and Mr. WONG Ping Yiu; 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 Ms. SZETO Wai Ling, Virginia.