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RM GROUP HOLDINGS LIMITED

御藥堂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 932)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2017

FINANCIAL HIGHLIGHTS

	2017 HK\$'000	2016 HK\$'000	Change %
Revenue	220,853	189,958	16.3%
Gross profit	157,121	147,002	6.9%
EBIT (Note 1)	16,416	15,280	7.4%
Profit for the year attributable to:			
Owners of the Company	12,746	10,421	22.3%
Non-controlling interests	(923)	—	100.0%
	<u>11,823</u>	<u>10,421</u>	13.5%
Earnings per share attributable to owners of the Company (expressed in HK cents)			
Basic	2.4	2.0	20.0%
Diluted	2.4	2.0	20.0%

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

The board of Directors (the “Board”) announces that the audited consolidated results of RM Group Holdings Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) for the year ended 31 March 2017 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 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
REVENUE	<i>3</i>	220,853	189,958
Cost of sales		<u>(63,732)</u>	<u>(42,956)</u>
GROSS PROFIT		157,121	147,002
Other revenue and other net loss		209	204
Selling and distribution expenses		(43,873)	(40,293)
Administrative expenses		<u>(97,041)</u>	<u>(91,633)</u>
PROFIT FROM OPERATIONS		16,416	15,280
Finance costs	<i>4(c)</i>	<u>(776)</u>	<u>(545)</u>
PROFIT BEFORE TAXATION	<i>4</i>	15,640	14,735
Taxation	<i>5</i>	<u>(3,817)</u>	<u>(4,314)</u>
PROFIT FOR THE YEAR		<u>11,823</u>	<u>10,421</u>
OTHER COMPREHENSIVE LOSS			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of financial statements of foreign operations		<u>(504)</u>	<u>(358)</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>11,319</u>	<u>10,063</u>

	<i>Note</i>	2017 HK\$'000	2016 <i>HK\$'000</i>
Profit for the year attributable to:			
Owners of the Company		12,746	10,421
Non-controlling interests		(923)	–
		<u>11,823</u>	<u>10,421</u>
Total comprehensive income attributable to:			
Owners of the Company		12,208	10,063
Non-controlling interests		(889)	–
		<u>11,319</u>	<u>10,063</u>
Earnings per share attributable to owners of the Company for the year (expressed in HK cents per share)			
	<i>7</i>		
– basic		<u>2.4</u>	<u>2.0</u>
– diluted		<u>2.4</u>	<u>2.0</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	<i>Note</i>	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	8	54,314	54,382
Intangible assets	9	2,752	695
Prepayments and deposits	10	707	2,422
		<u>57,773</u>	<u>57,499</u>
Current assets			
Inventories		27,183	20,309
Trade and other receivables	10	70,146	49,536
Cash and cash equivalents		110,218	91,958
Bank deposits with maturity greater than three months		–	10,156
Tax recoverable		764	5,002
		<u>208,311</u>	<u>176,961</u>
Current liabilities			
Trade and other payables	11	16,632	15,985
Bank loans and overdrafts	12	30,565	36,898
Tax payable		2,129	–
Provisions		1,345	1,571
		<u>50,671</u>	<u>54,454</u>
Non-current liabilities			
Deferred tax liabilities		589	626
Amount due to a non-controlling interest	13	1,200	–
		<u>1,789</u>	<u>626</u>
Net assets		<u>213,624</u>	<u>179,380</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	14	5,286	5,163
Reserves		206,758	174,217
		<u>212,044</u>	<u>179,380</u>
Non-controlling interests		1,580	–
TOTAL EQUITY		<u>213,624</u>	<u>179,380</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2017

	Attributable to owners of the Company									
	Share capital	Share premium	Merger reserve	PRC		Share option reserve	Retained earnings	Total	Non-controlling interests	Total Equity
				statutory reserve	Translation reserve					
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2015	5,155	123,890	(10)	-	(161)	8,161	43,878	180,913	-	180,913
Changes in equity for 2016:										
Profit for the year	-	-	-	-	-	-	10,421	10,421	-	10,421
Other comprehensive loss:										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(358)	-	-	(358)	-	(358)
Total comprehensive income for the year	-	-	-	-	(358)	-	10,421	10,063	-	10,063
Share options lapsed	-	-	-	-	-	(1,075)	1,075	-	-	-
Shares issued under share option scheme (Note 14(i))	8	1,526	-	-	-	(222)	-	1,312	-	1,312
Dividends approved in respect of the previous year (Note 6)	-	-	-	-	-	-	(12,908)	(12,908)	-	(12,908)
Appropriation to PRC statutory reserve	-	-	-	770	-	-	(770)	-	-	-
At 31 March 2016 and 1 April 2016	5,163	125,416	(10)	770	(519)	6,864	41,696	179,380	-	179,380
Changes in equity for 2017:										
Profit/(loss) for the year	-	-	-	-	-	-	12,746	12,746	(923)	11,823
Other comprehensive (loss)/income:										
Exchange differences on translation of financial statements of foreign operations	-	-	-	-	(538)	-	-	(538)	34	(504)
Total comprehensive income for the year	-	-	-	-	(538)	-	12,746	12,208	(889)	11,319
Disposal of partial interest in a subsidiary without losing control (Note 19)	-	-	-	(308)	365	-	774	831	2,469	3,300
Transaction costs attributable to the disposal of partial interest in a subsidiary (Note 19)	-	-	-	-	-	-	(547)	(547)	-	(547)
Shares issued under share option scheme (Note 14(ii))	123	23,468	-	-	-	(3,419)	-	20,172	-	20,172
Share options lapsed	-	-	-	-	-	(3,445)	3,445	-	-	-
At 31 March 2017	5,286	148,884	(10)	462	(692)	-	58,114	212,044	1,580	213,624

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 applicable individual 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. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rule”). 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”)

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group. None of these developments have had a material effect on how the Group’s results and financial position for the current or prior periods have been prepared or presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Health supplements	179,844	160,870
Beauty supplements and products	26,481	27,484
Others	14,528	1,604
	<u>220,853</u>	<u>189,958</u>

4. PROFIT BEFORE TAXATION

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
(a) Staff costs:		
Salaries, allowances, and other benefits (including directors' emoluments)	58,982	52,257
Contributions to defined contribution retirement plans	2,176	2,043
	<u>61,158</u>	<u>54,300</u>
(b) Other items:		
Auditors' remuneration	1,239	1,090
Cost of inventories (<i>notes (i)</i>)	63,732	42,956
Depreciation on property, plant and equipment	4,633	3,015
Amortisation of intangible assets	143	134
Provisions for goods returns	932	1,947
Operating lease charges: minimum lease payments	1,888	3,181
Research and development costs (other than amortisation costs)	3,073	2,131
Impairment loss on trade receivables	23	42
Reversal of impairment loss on trade receivables	–	(5)
Impairment loss on property, plant and equipment	–	1,271
Rent for special designated counters	31,128	25,504
	<u>31,128</u>	<u>25,504</u>
(c) Finance costs:		
Bank overdraft interest	3	8
Interest on bank loans	773	537
	<u>776</u>	<u>545</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>776</u>	<u>545</u>

Note:

- (i) For the year ended 31 March 2017, cost of inventories includes HK\$5,309,000 (2016: HK\$5,322,000) relating to staff costs, depreciation and provision for goods return, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

5. TAXATION

Income tax in the consolidated statement of profit or loss represents:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	3,281	2,613
PRC Enterprise Income Tax	573	1,441
Deferred taxation		
Origination of temporary differences	<u>(37)</u>	<u>260</u>
	<u>3,817</u>	<u>4,314</u>

The provision for Hong Kong Profits Tax is calculated at 16.5% (2016: 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% (2016: 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 (“BVI”), Malaysia, Macau 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 2016 and 2017.

6. DIVIDENDS

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 years ended 31 March 2016 and 2017.

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\$12,746,000 (2016: HK\$10,421,000) and the weighted average number of ordinary shares in issue of 520,714,521 ordinary shares (2016: 516,271,585 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (basic)

	2017	2016
	<i>Number of shares</i>	<i>Number of shares</i>
Issued ordinary shares at the beginning of the year	516,300,000	515,500,000
Effect of shares issued under share option scheme (Note 14(i) and 14(ii))	<u>4,414,521</u>	<u>771,585</u>
Weighted average number of ordinary shares in issue	<u>520,714,521</u>	<u>516,271,585</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\$12,746,000 (2016: HK\$10,421,000) 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)

	2017	2016
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares (basic)	520,714,521	516,271,585
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>–</u>	<u>479,678</u>
Weighted average number of ordinary shares (diluted)	<u>520,714,521</u>	<u>516,751,263</u>

The computation of diluted earnings per share for the year ended 31 March 2017 did not assume the conversion of the Company's share options because the exercise price of the Company's share options were higher than the average market price of the Company's shares during the year.

8. PROPERTY, PLANT AND EQUIPMENT

	2017	2016
	HK\$'000	HK\$'000
Carrying amount at the beginning of the year	54,382	17,615
Additions during the year	4,798	7,623
Purchase of assets through acquisition of a subsidiary (<i>note 18</i>)	–	34,649
Derecognised on disposal of a subsidiary	–	(1,508)
Depreciation provided during the year	(4,633)	(3,015)
Disposals during the year	(827)	(276)
Written back of accumulated depreciation on disposals during the year	595	148
Written back of accumulated depreciation on disposal of a subsidiary	–	419
Impairment loss recognised during the year	–	(1,271)
Exchange adjustments	(1)	(2)
	<u> </u>	<u> </u>
Carrying amount at the end of the year	<u>54,314</u>	<u>54,382</u>

As at 31 March 2017, the Group has pledged its leasehold land and buildings held for own use with carrying amount of HK\$43,211,000 (2016: HK\$44,639,000) to a bank to secure banking facilities granted to the Group (note 12).

9. INTANGIBLE ASSETS

	2017	2016
	HK\$'000	HK\$'000
Carrying amount at the beginning of the year	695	629
Additions during the year	2,200	200
Amortisation charge for the year	(143)	(134)
	<u> </u>	<u> </u>
Carrying amount at the end of the year	<u>2,752</u>	<u>695</u>

Intangible assets represent the product development rights and club membership acquired by the Group.

10. TRADE AND OTHER RECEIVABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade receivables	41,810	35,015
Less: Allowance for doubtful debts	<u>(162)</u>	<u>(139)</u>
	41,648	34,876
Other receivables	<u>4,324</u>	<u>3,969</u>
Loans and receivables	<u>45,972</u>	<u>38,845</u>
Prepayments	5,154	6,589
Utility and other deposits	14,727	6,524
Deposits paid for potential acquisition	<u>5,000</u>	<u>–</u>
	<u>24,881</u>	<u>13,113</u>
	<u>70,853</u>	<u>51,958</u>
	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Analysis of trade and other receivables:		
Non-current portion	707	2,422
Current portion	<u>70,146</u>	<u>49,536</u>
	<u>70,853</u>	<u>51,958</u>

The amount of the Group's utility and other deposits and prepayments expected to be recovered or recognised as expense after more than one year is HK\$631,000 (2016: HK\$1,074,000) and HK\$76,000 (2016: HK\$1,348,000) respectively. All of the other trade and other receivables are expected to be recovered or recognised as expense within one year.

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables based on invoice date were as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 30 days	28,758	17,556
31 – 60 days	8,036	6,451
61 – 90 days	4,842	7,102
91 – 180 days	12	199
181 – 365 days	–	2,971
Over 365 days	–	597
	<u>41,648</u>	<u>34,876</u>

Trade receivables are normally due within 0-90 days from the date of billing. The Group has adopted a policy of merely dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

11. TRADE AND OTHER PAYABLES

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Trade payables	3,142	3,745
Salary and welfare payables	5,671	5,866
Accrued advertising expenses	3,533	3,310
Other payables and accruals	4,286	3,064
	<u>16,632</u>	<u>15,985</u>
Financial liabilities measured at amortised cost		

As of the end of the reporting period, the ageing analysis of trade payables based on invoice dates were as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
0 – 30 days	2,442	1,253
31 – 60 days	603	910
61 – 90 days	26	90
91 – 180 days	–	1,426
Over 365 days	71	66
	<u>3,142</u>	<u>3,745</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.

12. BANK LOANS AND OVERDRAFTS

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Carrying amount of bank loans and overdrafts that contain a repayment on demand clause:		
Repayable within one year	3,091	7,712
Repayable after one year (shown under current liabilities)	<u>27,474</u>	<u>29,186</u>
	<u>30,565</u>	<u>36,898</u>

As at 31 March 2017, the secured bank loans and overdrafts of the Group are secured by the leasehold land and buildings with carrying amount of HK\$43,211,000 (2016: HK\$44,639,000).

13. AMOUNT DUE TO A NON-CONTROLLING INTEREST

The amount due to a non-controlling interest refers to the shareholder's loan taken up by Ms. Li Yung who acquired 40% equity interest in Apex Prospection Limited during the year ended 31 March 2017 as described in note 19. The amount due to a non-controlling interest is unsecured, interest-free and no fixed terms of repayment.

14. SHARE CAPITAL

	Number of ordinary shares of HK\$0.01 per share	Nominal value ordinary shares <i>HK\$</i>
<i>Authorised:</i>		
At 1 April 2015, 31 March 2016, 1 April 2016 and 31 March 2017	<u>1,000,000,000</u>	<u>10,000,000</u>
<i>Issued and fully paid:</i>		
At 1 April 2015	515,500,000	5,155,000
Shares issued under share option scheme	(i) <u>800,000</u>	<u>8,000</u>
At 31 March 2016 and 1 April 2016	516,300,000	5,163,000
Shares issued under share option scheme	(ii) <u>12,300,000</u>	<u>123,000</u>
At 31 March 2017	<u>528,600,000</u>	<u>5,286,000</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:

- (i) 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.
- (ii) On 21 November 2016, share options were exercised to subscribe for 12,300,000 ordinary shares in the Company at a consideration of HK\$20,172,000, of which HK\$123,000 was credited to share capital and the balance of HK\$20,049,000 was credited to the share premium account. HK\$3,419,000 has been transferred from the share option reserve to the share premium account in accordance with the Group's accounting policy.

15. SEGMENT REPORTING

Operating segments are identified on the basis of internal reports which provides information about components of the Group. Information reported to the Board, 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 and provision of health food processing 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 2017 is set out below:

	For the year ended 31 March 2017							Total HK\$'000
	Proprietary brands		Private label brands		Trading of goods		Other items HK\$'000	
	Beauty supplements and products		Beauty supplements and products		Beauty supplements and products			
	Health supplements HK\$'000	Health supplements and products HK\$'000	Health supplements HK\$'000	Health supplements and products HK\$'000	Health supplements HK\$'000	Health supplements and products HK\$'000		
Revenue from external customers	101,828	26,262	61,351	219	16,665	-	14,528	220,853
Cost of sales	(25,520)	(7,837)	(10,023)	(113)	(9,237)	-	(11,002)	(63,732)
Gross profit	76,308	18,425	51,328	106	7,428	-	3,526	157,121
Selling and distribution expenses	(25,199)	(3,987)	(12,697)	(36)	(1,179)	-	(775)	(43,873)
Administrative expenses	(6,245)	(436)	(20,793)	(55)	(3,127)	-	-	(30,656)
Segment results	<u>44,864</u>	<u>14,002</u>	<u>17,838</u>	<u>15</u>	<u>3,122</u>	<u>-</u>	<u>2,751</u>	<u>82,592</u>
Other revenue and other net loss								209
Unallocated head office and corporate expenses								(66,385)
Finance costs								(776)
Profit before taxation								<u>15,640</u>

	For the year ended 31 March 2016							Total HK\$'000
	Proprietary brands		Private label brands		Trading of goods		Other items HK\$'000	
	Health supplements HK\$'000	Beauty supplements and products HK\$'000	Health supplements HK\$'000	Beauty supplements and products HK\$'000	Health supplements HK\$'000	Beauty supplements and products 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>	82,058
Other revenue and other net loss								204
Unallocated head office and corporate expenses								(66,982)
Finance costs								(545)
Profit before taxation								<u>14,735</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 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	
	2017	2016
	HK\$'000	HK\$'000
Proprietary brands:		
Health supplements	443	401
Beauty supplements and products	67	56
Private label brands:		
Health supplements	176	136
Beauty supplements and products	1	3
Trading of goods:		
Health supplements	48	2
Beauty supplements and products	–	1
Unallocated	4,041	2,550
Total	4,776	3,149

(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

	2017	2016
	HK\$'000	HK\$'000
Hong Kong (place of domicile)	220,620	178,936
The PRC	–	10,559
Taiwan	233	463
	220,853	189,958

Non-current assets

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Hong Kong (place of domicile)	57,635	57,227
The PRC	121	245
Taiwan	17	27
	<u>57,773</u>	<u>57,499</u>

(c) Information about major customer

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

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Customer A (<i>note (i)</i>)	<u>125,419</u>	<u>116,071</u>

Note:

- (i) The revenues 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;
 - Private label brands comprise the development, manufacturing and sales of beauty supplements and products; and
 - Trading of goods comprise the trading and sales of health supplements.

16. COMMITMENTS

(a) Capital commitments

As at 31 March 2016 and 2017, the Group had capital commitments contracted but not provided for in the financial statements as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Contracted for		
— Property, plant and equipment	<u>125</u>	<u>867</u>

(b) **Operating lease commitments**

As lessee

At 31 March 2016 and 2017, the Group had outstanding commitments under non-cancellable operating leases falling due as follows:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Within one year	2,197	1,150
In the second to fifth year, inclusive	1,474	917
	<u>3,671</u>	<u>2,067</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.

17. MATERIAL RELATED PARTY TRANSACTIONS

The Group had the following transactions and balances 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:

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Short-term employee benefits	14,136	11,692
Post-employment benefits	188	147
	<u>14,324</u>	<u>11,839</u>

(b) **Transactions with related parties**

	2017 <i>HK\$'000</i>	2016 <i>HK\$'000</i>
Rental expenses paid to a related party (<i>note i</i>)	82	80
Rental expenses paid to Great Victor Limited (<i>note ii</i>)	174	131
Rental expenses paid to Sunex Limited (<i>note iii</i>)	203	68
Legal and professional fee paid to Sidney Lee & Co. (<i>note iv</i>)	700	234
	<u>700</u>	<u>234</u>

As at 31 March 2016 and 31 March 2017, the Group had total future minimum lease payables under non-cancellable operating lease falling due as follows:

	As at 31 March 2017 HK\$'000	As at 31 March 2016 HK\$'000
Within one year	346	465
In the second to fifth year	118	538
	464	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. Mr. Cheng Kwok Kin, Paul ceased to be a related party of the Group following his resignation as the independent non-executive director of the Company on 6 December 2016.
- (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.
- (iv) The legal and professional fees represents legal service fees charged by a barrister via Sidney Lee & Co., a registered solicitors' firm in Hong Kong controlled by Mr. Lee Chi Hang, Sidney, an executive director of the Company. Sidney Lee & Co. provided such service to the Company on a complimentary basis.

(c) Balances with related parties

The Group leases office premises from related parties as detailed in note 17(b) 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 2016 and 31 March 2017 are detailed as follows:

	As at 31 March 2017 HK\$'000	As at 31 March 2016 HK\$'000
Mr. Cheng Jonathan Chung Shing	–	20
Great Victor Limited	29	29
Sunex Limited	34	34

(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 18.

18. 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 <i>HK\$'000</i>
Leasehold land and buildings held for own use (<i>Note 8</i>)	34,649
Cash and bank balances	87
Deposits and prepayments	56
Other receivables	1,459
Accruals	(44)
Bank loans	<u>(16,797)</u>
Net assets acquired	<u>19,410</u>
Consideration represented:	
Cash consideration	<u>19,410</u>
Net cash outflow arising from the acquisition:	
Cash consideration paid	(19,410)
Cash and bank balances	<u>87</u>
	<u>(19,323)</u>

19. PARTIAL DISPOSAL OF A SUBSIDIARY

On 22 November 2016, Wisdom Come Medical Group Limited (“WCMG”), a subsidiary of the Company, disposed of: (1) an aggregate of 40% equity interest in Apex Prospection Limited (“Apex Prospection”) in the amount of HK\$3,300,000 and (2) 40% of the interest-free shareholder’s loan amounting to HK\$1,200,000 owing by a wholly owned subsidiary of the Apex Prospection to WCMG for an aggregate cash consideration of HK\$4,500,000 to an independent third party, Ms. Li Yung. Apex Prospection and its subsidiaries are principally engaged in the distribution of health and beauty supplements in the PRC. The Group retains 60% of the equity interest in Apex Prospection after the partial disposal. The total transaction costs of the partial disposal of Apex Prospection amounted to HK\$547,000.

20. 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	—
Analysis of assets and liabilities over which control was lost:	
Deposits and other receivables	(1,747)
Other payables	1,886
Net liabilities derecognised	139
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
Loss on disposal	(471)
Net cash inflow arising on disposal:	
Cash consideration received	—
Cash and cash equivalents disposed of	—
	—

- (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
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
Net liabilities derecognised	235
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
Loss on disposal	(448)
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)
	878

21. EVENTS AFTER THE REPORTING PERIOD

(a) Acquisition of a subsidiary

On 9 January 2017, the Company entered into a sale and purchase agreement with an independent third party vendor, Saffron Production Company Limited, to acquire the entire interest of Star Root Limited (“Star Root”), a company incorporated in the BVI, at a cash consideration of HK\$50,000,000. Star Root and its subsidiary are principally engaged in the online advertising agency business. The management considers that such acquisition will enable the Group to partner with and access to an online information platform in Hong Kong and PRC to expand the sales and advertising channels for the Group’s products, provide an additional income and cash flow stream for the Group and further diversify the Group’s overall business. The acquisition was completed on 13 April 2017. As the acquisition completed in less than three months before the date of this announcement, it is not practicable to complete the initial accounting for the business combination.

Details of the acquisition of Star Root are set out in the Company’s announcements dated 9 January 2017 and 18 April 2017 respectively.

(b) Memorandum of understanding of the acquisition of the equity interest in a company incorporated in the BVI

On 11 April 2017, the Company entered into a non-legally binding memorandum of understanding with potential vendors (the “Potential Vendors”) for the acquisition of the entire or partial equity interest in a company established in the BVI with limited liability (the “Target Company”) and its subsidiary (together, the “Target Group”). The Company and the Potential Vendors shall negotiate with one another on the amount and payment terms of the consideration of the acquisition in the formal agreement. The Target Group is principally engaged in the business of service provision of the WeChat Pay Cross-Border Solutions to Tenpay, an integrated online payment platform, and the retail merchants in Hong Kong. Up to the date of this announcement, there is no formal agreement signed and the transaction is not yet completed.

Further details are set out in the Company’s announcement dated 11 April 2017.

(c) Placing of convertible bonds

On 24 April 2017, the Company and Wealth Link Securities Limited (the “Placing Agent”), entered into a placing agreement pursuant to which the Placing Agent has conditionally agreed to procure, on the best efforts basis, places to subscribe for the convertible bonds in an aggregate principal amount of up to HK\$300,000,000 at the conversion price of HK\$4.65 and the conversion price of any outstanding convertible bonds on the date of the first anniversary of the date of issue of the convertible bonds shall be reset to HK\$4.00. On 9 May 2017 and 31 May 2017, the Company and the Placing Agent entered into a supplemental placing agreement and a second supplemental agreement respectively to amend certain terms of the Placing Agreement.

The placing of convertible bonds was not completed up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in the formulating, marketing, sale and distribution of health and beauty supplements and products mainly in Hong Kong, the PRC and Taiwan. During the year under review, the Group exercised strategy adjustment, and revoked the distributors' sole distributorship agreement for the PRC market, resulting in the substantial decrease of the business operation in the PRC, and the Group is exploring other business models, distribution channels and opportunities to develop the business and intends to expand the business in other Asian regions. On the other hand, due to the continuously weak performance of the retail sector in Hong Kong, the Group endeavored to enhance the turnover and therefore caused more costs. Faced with various uncertain factors, the Group actively expanded the sales and marketing channels of products in order to increase the market share and enlarge existing core business to maintain the sustainable development of the Group. In April 2017, the Group participated in the operation of gd.qq.com in Hong Kong through its subsidiary Tenfok Asia to enter into the Hong Kong and PRC online information and advertising business. The Group believes that apart from the positive impact on the Company's profit, the new business will also bring the new opportunity to the Group amid the sluggish condition of retail sector in Hong Kong.

The following table sets forth the revenue generated from new products introduced by the Group during the two years ended 31 March 2017:

	For the year ended 31 March			
	2017		2016	
	Number of new products introduced	Revenue <i>HK\$'000</i>	Number of new products introduced	Revenue <i>HK\$'000</i>
Health supplements:				
Proprietary brands	8	1,551	2	3,261
Private label brands	7	5,278	3	3,960
Trading of goods	14	10,719	8	128
	29	17,548	13	7,349
Beauty supplements and products:				
Proprietary brands	2	44	1	5,258
Private label brands	–	–	–	–
Trading of goods	–	–	–	–
	2	44	1	5,258
Total	31	17,592	14	12,607

As at 31 March 2017, the Group sold and distributed 38 (2016: 34) health supplements and 9 (2016: 9) beauty supplements and products under its proprietary brands; 49 (2016: 41) health supplements and 6 (2016: 8) beauty supplements and products under the Distribution Facilitator's private label brands; 20 (2016: 15) health supplements and Nil (2016: 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 2017:

	For the year ended 31 March			
	2017		2016	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Business segments				
Health supplements	179,844	81.4%	160,870	84.7%
Beauty supplements and products	26,481	12.0%	27,484	14.5%
Others	14,528	6.6%	1,604	0.8%
Total	<u>220,853</u>	<u>100.0%</u>	<u>189,958</u>	<u>100.0%</u>

The Group recorded a revenue of approximately HK\$220.9 million for the year ended 31 March 2017 (2016: HK\$190.0 million), representing an increase of approximately HK\$30.9 million or 16.3% over the last year. The Group's revenue attributable to health supplements increased by approximately HK\$18.9 million or 11.7% to HK\$179.8 million (2016: HK\$160.9 million), while its revenue attributable to beauty supplements and products decreased by approximately HK\$1.0 million or 3.6% to HK\$26.5 million (2016: HK\$27.5 million), for the year ended 31 March 2017. Revenue attributable to others increased by approximately HK\$12.9 million or 9 times over the last year to HK\$14.5 million for the year ended 31 March 2017 (2016: HK\$1.6 million).

For the year ended 31 March 2017, the Group's top 4 best-selling products were Royal Medic No.1 Chinese Cs-4, RM Broken Ganoderma Spore, Melty Enzyme and Health Proof Junior Milk CA+DHA PF, which in aggregate contributed to approximately HK\$78.6 million or 35.6% of the Group's total revenue.

For the year ended 31 March 2016, the Group's top 4 best-selling products were Royal Medic No.1 Chinese Cs-4, RM Broken Ganoderma Spore, Melty Enzyme and Health Proof Junior Milk CA+DHA PF, which in aggregate contributed to approximately HK\$73.1 million or 38.5% of the Group's total revenue.

Proprietary brands health supplements

The Group's revenue attributable to proprietary brands health supplements decreased by approximately HK\$6.1 million or 5.7% to HK\$101.8 million for the year ended 31 March 2017 (2016: HK\$107.9 million). The decrease in revenue was attributable to different scheduling of one day special promotion event of health supplements being held during the year.

Private label brands health supplements

Revenue attributable to private label brands health supplements increased by approximately HK\$9.4 million or 18.1% to HK\$61.4 million for the year ended 31 March 2017 (2016: HK\$52.0 million). The increase in revenue attributable to the first time engaging a brand ambassador to promote the private brand health supplements in Hong Kong and also because more new products were launched for the year ended 31 March 2017.

Trading of health supplements

Revenue attributable to trading of health supplements increased by approximately HK\$15.7 million to HK\$16.7 million for the year ended 31 March 2017 (2016: HK\$1.0 million). It was due to the introduction of certain new trading products in the health supplement market.

Beauty supplements and products

Revenue attributable to beauty supplements and products decreased marginally by approximately HK\$1.0 million or 3.6% to HK\$26.5 million for the year ended 31 March 2017 (2016: HK\$27.5 million).

Others

Revenue attributable to others increased by approximately HK\$12.9 million or 9 times to HK\$14.5 million for the year ended 31 March 2017 (2016: HK\$1.6 million). The incremental portion mainly represents provision of health food processing services.

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 2017:

	For the year ended 31 March			
	2017		2016	
	<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	125,419	56.8%	116,071	61.1%
SDCs located in the Distribution				
Facilitator’s stores	68,095	30.8%	50,715	26.7%
Other distribution channels (<i>Note 1</i>)	16,140	7.3%	11,436	6.0%
Hong Kong Brands and Products Expo	10,131	4.6%	10,132	5.3%
Others (<i>Note 2</i>)	1,068	0.5%	1,604	0.9%
Total	<u>220,853</u>	<u>100.0%</u>	<u>189,958</u>	<u>100.0%</u>

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 2017, the Group had 17 (2016: 17) Royal Medic SDCs and 20 (2016: 20) 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 2017:

	For the year ended 31 March			
	2017		2016	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Hong Kong	220,620	99.9%	178,936	94.2%
The PRC	–	–	10,559	5.6%
Taiwan	233	0.1%	463	0.2%
Total	<u>220,853</u>	<u>100.0%</u>	<u>189,958</u>	<u>100.0%</u>

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 2017:

	For the year ended 31 March			
	2017		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Health supplements:				
Proprietary brands	76,308	74.9%	83,201	77.1%
Private label brands	51,328	83.7%	44,559	85.7%
Trading of goods	7,428	44.6%	548	55.8%
	<u>135,064</u>	<u>75.1%</u>	<u>128,308</u>	<u>79.8%</u>
Beauty supplements and products:				
Proprietary brands	18,425	70.2%	17,225	65.1%
Private label brands	106	48.4%	69	7.0%
Trading of goods	–	–	27	54.6%
	<u>18,531</u>	<u>70.0%</u>	<u>17,321</u>	<u>63.0%</u>
Others	<u>3,526</u>	<u>24.3%</u>	<u>1,373</u>	<u>85.6%</u>
Total	<u>157,121</u>	<u>71.1%</u>	<u>147,002</u>	<u>77.4%</u>

Gross profit for the year ended 31 March 2017 was approximately HK\$157.1 million (2016: HK\$147.0 million), representing an increase of approximately 6.9% over last year. The gross profit margin of the Group for the year ended 31 March 2017 was approximately 71.1% (2016: 77.4%), representing a decrease of approximately 6.3% over last year, which was mainly due to the change of product mix.

Other revenue and other net loss

The Group's other revenue and other net loss was HK\$0.2 million for the year ended 31 March 2017 (2016: HK\$0.2 million). The Group's other revenue and other net loss primarily comprised of sales of packaging materials, exchange gain, bank interest income, net loss on disposal of property, plant and equipment and disposal of subsidiaries. During the year ended 31 March 2017, no other loss arising from the disposal of subsidiary included in the Group's other revenue and other net loss (2016: HK\$0.9 million).

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 2017:

	For the year ended 31 March			
	2017		2016	
	<i>HK\$'000</i>	<i>%</i>	<i>HK\$'000</i>	<i>%</i>
Advertising and promotion expenses	24,627	56.1%	22,765	56.5%
Commission charges	16,607	37.9%	14,087	35.0%
Exhibition expenses	1,548	3.5%	1,860	4.6%
Others	1,091	2.5%	1,581	3.9%
Total	<u>43,873</u>	<u>100.0%</u>	<u>40,293</u>	<u>100.0%</u>

The Group's selling and distribution expenses increased by approximately HK\$3.6 million or 8.9% to HK\$43.9 million for the year ended 31 March 2017 (2016: HK\$40.3 million). It was attributable to more advertising and promotion expenses incurred during the year in order to enhance the sales performance.

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 2017:

	For the year ended 31 March			
	2017		2016	
	HK\$'000	%	HK\$'000	%
Salaries	31,273	32.2%	29,748	32.5%
Rent for SDCs	31,128	32.1%	25,504	27.8%
Legal and professional fees	4,228	4.4%	6,960	7.6%
Directors' emoluments	6,922	7.1%	5,121	5.6%
Operating lease charges:				
minimum lease payments	1,888	1.9%	3,181	3.5%
Depreciation	4,002	4.1%	2,551	2.8%
Contributions to defined contribution retirement plans and other staff benefits	2,610	2.7%	2,435	2.6%
Research and development costs	3,073	3.2%	2,131	2.3%
Impairment loss on property, plant and equipment	–	–	1,271	1.4%
Donation	42	0.1%	1,009	1.1%
Others	11,875	12.2%	11,722	12.8%
Total	<u>97,041</u>	<u>100.0%</u>	<u>91,633</u>	<u>100.0%</u>

The Group's administrative expenses increased by approximately HK\$5.4 million or 5.9% to HK\$97.0 million for the years ended 31 March 2017 (2016: HK\$91.6 million). It was primarily attributable to increase in (i) director's emolument and salaries costs because of increase in headcounts to cope with business expansion, (ii) rent for SDCs due to increase in revenue derived from SDCs, (iii) research and development costs and (iv) depreciation.

Equity-settled share-based payments

During the year ended 31 March 2017, the Group recognised no expense (2016: Nil) in relation to the Share Options granted by the Company.

Profit before taxation

The Group's profit before taxation increased by approximately HK\$0.9 million to HK\$15.6 million for the year ended 31 March 2017 (2016: HK\$14.7 million).

Taxation

Taxation for the year ended 31 March 2017 was approximately HK\$3.8 million (2016: HK\$4.3 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 increased by approximately HK\$1.4 million to HK\$11.8 million for the year ended 31 March 2017 (2016: HK\$10.4 million).

Inventories

The inventories increased by approximately HK\$6.9 million or 34.0% to HK\$27.2 million as at 31 March 2017 (2016: HK\$20.3 million), which was due to (i) increase in the number of new products and (ii) a one day special promotion event taken place immediately after the year end date. The Group's total inventory turnover days decreased to 136 days for the year ended 31 March 2017 (2016: 155 days), which was primarily owing to the inventory turnover days of trading of goods were shorter.

Trade and other receivables

The current portion of trade and other receivables increased by approximately HK\$20.6 million or 41.6% to HK\$70.1 million as at 31 March 2017 (2016: HK\$49.5 million). Of which, trade receivables increased by approximately HK\$6.7 million or 19.2% to HK\$41.6 million as at 31 March 2017 due to two times of one day special promotion events were taken place in March 2017 (2016: HK\$34.9 million). The Group's total receivable turnover days decreased to 63 days for the year ended 31 March 2017 (2016: 79 days), which was due to credit terms for new customers are tightened and also last year has more overdue balances.

Trade and other payables

Trade and other payables increased by approximately HK\$0.6 million or 3.8% to HK\$16.6 million as at 31 March 2017 (2016: HK\$16.0 million). Of which, trade payables decreased by approximately HK\$0.6 million or 16.2% to HK\$3.1 million as at 31 March 2017 (2016: HK\$3.7 million). The Group's total payable turnover days decreased to 20 days for the year ended 31 March 2017 (2016: 42 days). It was primarily due to shorter credit terms are given by certain new suppliers engaged during the year.

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 2017, cash and bank balances of the Group amounted to approximately HK\$110.2 million (2016: HK\$102.1 million) and the current ratio (current assets divided by current liabilities) of the Group was 4.1 times as at 31 March 2017 (2016: 3.2 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 14.9% as at 31 March 2017 (2016: 20.6%). The decrease in gearing ratio was primarily due to decrease 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 2017, the Group has unutilised general banking facilities of approximately HK\$5.9 million (2016: HK\$10.6 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 shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate. The Group also monitors capital on the basis of the net gearing ratio. The Group's overall strategy remains unchanged throughout the year of review.

EMPLOYEE INFORMATION

As at 31 March 2017, the Group had 169 (2016: 157) employees. For the year ended 31 March 2017, staff costs including directors' remuneration was approximately HK\$61.2 million (2016: HK\$54.3 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 operation 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

Hong Kong Market

During the year under review, the retail sector has been greatly affected by China's economic slowdown as well as the decrease of Mainland tourists visiting Hong Kong, resulting in the weak growth of sales in the retail sector. In order to maintain the stable development of product sales and increase the market share, the Group will continue to expand the local sales platform, enhance the distribution network and broaden the customer base; on the other hand, the Group will advertise and promote its products through diversified media and channels so as to improve the competitive advantages of the Group in the market.

To enhance the quality standard and image, the Group is planning to apply quality management accreditation like ISO22000 and Hazard Analysis and Critical Control Point ("HACCP") for its food factory in Hong Kong as well as upgrading its own Chinese medicine plant from packaging-mainly to include the full production. The upgraded plant is expected to commence operation in the financial year ended March 2018 and as a result, the Group expects to reduce part of the existing subcontracting costs.

Overseas markets

The Group will continue to explore the retail market in other regions in Asia. To expand its Taiwan market, the Group has signed a new contract with a new non-exclusive distributor with extensive network in drug chain stores that may potentially and possibly expand our sales network. In addition to the traditional drug chain stores, the Group is also positively developing its e-commerce sales network. The goods are already on both shelf online and offline in April 2017. But as mentioned in the interim report, the slowdown of the Taiwan economy forced the Group to adopt a more prudent approach in its expansion plan in the past, and also in the coming few years.

On 22 November 2016, the Group disposed 40% of an indirect wholly-owned subsidiary together with a shareholder's loan due to the Group on a pro rata basis for an aggregate consideration of HK\$4.5 million. The subsidiary concerned is principally engaged in the distribution of health and beauty supplements in the PRC. The Directors consider such disposal presents a good opportunity for the Company to engage a new strategic business and investment partner for potential and possible enhancement of the Group's product distribution business in the PRC.

Collaboration with CUCAMed Company Limited

The Group signed a memorandum of understanding with CUCAMed Company Limited ("CUCAMed") in October 2016 to establish a jointly owned laboratory in Hong Kong to research and develop new Chinese medicines and health products and will commence trial run in the second half of 2017. As mentioned in the interim report, the pace of launching of new products under "LEGEND" brand has been much slower than what the Group has anticipated originally. During the year, no new product under the "LEGEND" brand was launched.

Developing Online Information and Advertising Business in Hong Kong and China

In consideration of the weak performance of retail sector and uncertain economic environment in Hong Kong in recent years, the Group has been seeking after different potential business opportunities in the market to develop diversified businesses. In 2017, the Group participated in the operation of gd.qq.com in Hong Kong through its subsidiary company Tenfok Asia, became its unique advertising business partner and content operator, and successfully marched into the online information and advertising business in Hong Kong and China. By virtue of this platform gd.qq.com, the Group can, on one hand, further introduce health supplements into domestic market through the enormous advertising marketing network; on the other hand, the Group can expand its core business and develop other income sources by operating Hong Kong station of gd.qq.com, and achieve sustainable development through diversified businesses.

During the initial launch period, Hong Kong station of gd.qq.com mainly comprises six business modules of entertainment, property and finance, sports, tourism, pets and education. Within the shortly 4 months, it has been rapidly increased to 10 modules, including health, fashion, infant care and E-sports. The Group will continue investing resources to improve the website content, and aim to expand the website into 30 modules. By absorbing the huge user volume from extensive user facets, we believe our advertising revenues will be increased greatly. In terms of the entertainment and catering module, Hong Kong station of gd.qq.com has invited Mr. Ho Lai Chuen, a seasoned media executive, to act as a leader in an attempt to establish the local strongest catering information website, which will be presented in the second half of 2017 as planned.

As the only inter-network information website in Mainland China, Hong Kong station of gd.qq.com can directly resort to the tremendous domestic website traffic of Tencent, adapt the advertising clients in Hong Kong to Tencent's advertising platform, and make the advertising message delivered easily to customers nationwide. Hong Kong station of gd.qq.com further introduces the live streaming event of hot issues, such as large-scale boxing matches and singing contests with higher audience rating in Mainland China, and develop more and more diversified online promotion methods. In the Group's opinion, the monthly views of Hong Kong station of gd.qq.com will be expected to increase, and more advertising clients from Southeast Asia will be attracted to further boost the increase of advertising revenues.

On the basis of the rising popularity of gd.qq.com in Mainland China and Macau, together with the fast-developing tendency of internet economy nowadays, the Group is highly optimistic about the business development prospect of Hong Kong station of gd.qq.com, and will continue to discuss with Tencent about more profound cooperation in future, such as participating in WeChat, WeChat payment, etc., and enhance the website competence by virtue of brand effect. The Group will pay close attention to market development of advertising agency business, further increase the market share, and meanwhile keep an eye on the opportunity to develop and expand other businesses.

MATERIAL ACQUISITIONS OR DISPOSALS

Save as disclosed in note 19 to this announcement, there was no other material acquisition and disposal of subsidiaries, associated companies and joint ventures during the year ended 31 March 2017.

CONTINGENT LIABILITIES

As at 31 March 2016 and 2017, the Group had no material contingent liabilities.

CAPITAL COMMITMENT

Save as disclosed in note 16(a) to the audited consolidated financial statements in this announcement, the Group did not have significant capital commitment as at 31 March 2016 and 2017.

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”). In order to manage and minimize the foreign currency risk, the management will continue to manage and monitor the foreign currency exposure to ensure appropriate measure are implemented in a timely and effective manner.

CHARGES ON ASSETS

As at 31 March 2017, the Group had secured bank loans of approximately HK\$30.6 million (2016: HK\$36.9 million). The banking facilities are secured by the Group’s land and buildings, having carrying amount of approximately HK\$43.2 million as at 31 March 2017 (2016: HK\$44.6 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 as below:

Business objectives for the period from 1 April 2015 onwards as stated in the Prospectus	Actual business progress up to 31 March 2017
<i>Expansion of distribution network</i>	
Set up about 2-4 new SDCs	The Group continues to identify suitable stores of the Distribution Facilitator to set up SDCs. 2 Health Proof SDCs was set up during the year ended 31 March 2017. The Group had 37 SDCs including 17 Royal Medic SDCs and 20 Health Proof SDCs as at 31 March 2017.
Employ more promoters	The Group continues to employ promoters and employed 93 promoters as at 31 March 2017 (As at 31 March 2016: 91).

Business objectives for the period from 1 April 2015 onwards as stated in the Prospectus (Continued)	Actual business progress up to 31 March 2017
<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>No new product under “LEGEND” brand was launched for the year ended 31 March 2017.</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 has signed a memorandum of understanding with CUCAMed in October 2016 to establish a jointly owned laboratory in Hong Kong to research and develop new Chinese medicines and health products.</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 2017
<p><i>Expanding overseas markets</i></p> <p>Engaging brand ambassadors in Taiwan</p> <p>Recruiting more promoters and 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>After the expiry of the contract of a brand ambassador in Taiwan, 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 has signed a new contract with a new non-exclusive distributor, whose extensive network in drug chain stores may potentially and possibly expand our sales network after the group discontinued its cooperation with the existing distributor by the end of November 2016. In addition to the traditional drug chain stores, the Group is positively developing its e-commerce sales network.</p> <p>The Group has obtained the HALAL certification recently, which enables the Group to sell certain of its products in most of the Southeast Asia.</p> <p>On 22 November 2016, the Group disposed 40% of an indirect wholly-owned subsidiary together with a shareholder's loan due to the Group on a pro rata basis for an aggregate consideration of HK\$4.5 million. The Directors consider that the disposal presents a good opportunity for the Company to engage a new strategic business and investment partner for potential and possible enhancement of the Group's product distribution in the PRC.</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 2016 to 31 March 2017, the net proceeds from issuance of new shares of the Company by way of placing had been applied as follows:

	Planned use of proceeds		Actual use of proceeds			
	As stated in the Prospectus HK\$'000	Change in use of proceeds during the year ended 31 March 2017 HK\$'000	Use of proceeds after change HK\$'000	11 October 2013 to 31 March 2016 HK\$'000	1 April 2016 to 31 March 2017 HK\$'000	Total amount utilised up to 31 March 2017 HK\$'000
Expansion of distribution network	5,950	–	5,950	948	4,277	5,225
Collaboration with CUCAMed to develop products	47,600	(25,000)	22,600	6,289	2,081	8,370
Expanding overseas markets	41,650	(25,000)	16,650	1,558	1,215	2,773
Enhancing the Group's marketing and promotion activities in Hong Kong	13,090	–	13,090	13,090	–	13,090
Acquisition of Star Root Limited	–	50,000	50,000	–	5,000	5,000
General working capital	10,710	–	10,710	10,710	–	10,710
	<u>119,000</u>	<u>–</u>	<u>119,000</u>	<u>32,595</u>	<u>12,573</u>	<u>45,168</u>

CHANGE IN USE OF PROCEEDS

Reference to the announcement dated 9 January 2017 and 18 April 2017. As at 31 March 2017, the Company utilised HK\$5 million out of the unutilised proceeds concerning product development and expansion of overseas market as part of the consideration of the acquisition of 100% equity interest of Star Root Limited.

Subsequent to the year end date on 13 April 2017, a sum of HK\$45 million was paid upon completion.

Possible change in use of proceeds

Unutilised Net Proceeds from Listing

The net proceeds from the placing of the Company's shares on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited on 11 October 2013 (the "Listing") were approximately HK\$119 million after deducting listing related expenses. As at 31 March 2017, approximately HK\$45.2 million out of such net proceeds from the Listing has been utilized according to the business plans as depicted in the prospectus of the Company and the announcement dated 9 January 2017 and approximately HK\$73.8 million out of such net proceeds remain unutilised mainly due to

1. the slowdown of the Taiwan economy forced the Group to adopt a more prudent expansion plan including engaging local distributors rather than establishing its own sales team and to engage the ambassador as in Hong Kong after the expiry of the contract terms with the ambassador in Taiwan; and
2. the pace of launching of new products under the "LEGEND" brand has been much slower than what the Group has anticipated originally.

Possible Change in Use of Net Proceeds

Owing to the weak performance of the retail sector in Hong Kong, the Directors have been carefully evaluating the circumstances and exploring other opportunities to increase the profitability of the Group amid the weakened retail sales, which may involve reallocating the net proceeds from the Listing to other future plans and/or to new projects of the Group, including but not limited to, acquiring new profitable businesses as long as the Directors consider such acquisitions to be in the interests of the Company and the Shareholders as a whole.

The Company shall not exclude the possibility of applying the net proceeds to the possible acquisition as indicated in the announcement of the Company dated 11 April 2017 in relation to a memorandum of understanding with potential vendors concerning the possible acquisition of all or part of the issued share capital in a company with its subsidiaries principally engaging in the business of service provision of the WeChat Pay Cross-Border Solutions to Tenpay, an integrated online payment platform, and the retail merchants in Hong Kong.

Save as disclosed above, the Company has not yet identified any new acquisition targets nor entered into any agreements with any third parties in relation to such expansion plans. If there are any material developments with respect to such expansion plans, the Company will make further announcement(s) in accordance with the Listing Rules as and when appropriate and necessary.

Further announcement(s) in respect of any possible change in use of net proceeds will be made by the Company as and when appropriate and necessary.

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 2017 (2016: Nil).

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 28 August 2017 to Thursday, 31 August 2017 (both dates inclusive), for the purpose of determining the shareholders' eligibility to attend and vote at the annual general meeting of the Company to be held on Thursday, 31 August, 2017 (the "2017 AGM") and 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 31 August 2017, 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, 25 August 2017.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Board of Directors has prepared an Environmental, Social and Governance Report ("ESG Report") summarising the Company's policies and activities in accordance with the disclosure requirements under Appendix 27 to the Listing Rules.

The ESG Report will be included in the Company's Annual Report for the year ended 31 March 2017.

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 2017, 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 14 to the Listing Rules except for the deviation from the Code provision A.2.1 under the Appendix 14 to 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 over 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 the Appendix 10 to the 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 he or she has fully complied with the Model Code under the Listing Rules throughout the year ended 31 March 2017, and there is no event of non-compliance.

COMPETING INTEREST

For the year ended 31 March 2017, the Directors were not aware of any business or interest of the Directors, the controlling shareholders, the management shareholder and their respective close associates that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

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. Leung Winson Kwan Yau (chairman), Ms. Szeto Wai Ling, Virginia and Mr. Tam Kin Yip, all are independent non-executive Directors.

The Audit Committee has reviewed the audited consolidated financial results of the Group for the year ended 31 March 2017.

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 2016/2017 Annual Report and the notice of 2017 AGM will be published and dispatched in the manner as required by the Listing Rules in due course.

SCOPE OF WORK OF MESSRS. CROWE HORWATH (HK) 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 2017 as set out in this preliminary announcement have been agreed by the Group’s auditor, Messrs. Crowe Horwath (HK) CPA Limited (“Crowe Horwath (HK)”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Crowe Horwath (HK) 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 Crowe Horwath (HK) on this preliminary announcement.

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

Hong Kong, 28 June 2017

As at the date of this announcement, the executive directors of the Company are Mr. CHAN Yan Tak, Mr. LEE Chi Hang, Sidney, Mr. LIM Ming Shing, Tony, Mr. WONG Ping Yiu, and Mr. WANG Xihua; and the independent non-executive directors of the Company are Ms. Szeto Wai Ling, Virginia, Mr. Leung Winson Kwan Yau and Mr. Tam Kin Yip.