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RM GROUP HOLDINGS LIMITED

御藥堂集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8185)

FINAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of RM Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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 2015 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 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
REVENUE	3	227,677	169,684
Cost of sales		<u>(50,805)</u>	<u>(39,692)</u>
GROSS PROFIT		176,872	129,992
Other revenue and other net income		727	2,710
Selling and distribution expenses		(55,136)	(48,435)
Administrative expenses		(81,172)	(60,982)
Equity-settled share-based payments		(1,075)	(7,364)
Listing expenses		–	<u>(15,370)</u>
PROFIT FROM OPERATIONS		40,216	551
Finance costs	4(c)	<u>(301)</u>	<u>(104)</u>
PROFIT BEFORE TAXATION	4	39,915	447
Taxation	5(a)	<u>(8,394)</u>	<u>(6,180)</u>
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		31,521	(5,733)
OTHER COMPREHENSIVE LOSS			
Item that may be reclassified subsequently to profit or loss:			
Exchange difference arising on translation of foreign operations		<u>(34)</u>	<u>(127)</u>
TOTAL COMPREHENSIVE INCOME/ (LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		<u>31,487</u>	<u>(5,860)</u>
EARNINGS/(LOSS) PER SHARE	7		
BASIC (HK CENTS PER SHARE)		<u>6.1</u>	<u>(1.3)</u>
DILUTED (HK CENTS PER SHARE)		<u>6.1</u>	<u>(1.3)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	<i>Notes</i>	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment	<i>8</i>	17,615	17,036
Intangible assets	<i>9</i>	629	743
Prepayments and deposits	<i>10</i>	2,817	–
		<u>21,061</u>	<u>17,779</u>
Current assets			
Inventories		16,143	17,467
Trade and other receivables	<i>10</i>	63,538	25,826
Cash and cash equivalents		98,913	123,299
Bank deposits with maturity greater than three months		10,088	–
Tax recoverable	<i>5(b)</i>	–	2,218
		<u>188,682</u>	<u>168,810</u>
Current liabilities			
Trade and other payables	<i>11</i>	18,970	13,811
Bank loans and overdrafts	<i>12</i>	3,731	2,947
Tax payable	<i>5(b)</i>	4,251	–
Provisions		1,512	1,334
		<u>28,464</u>	<u>18,092</u>
Non-current liabilities			
Deferred tax liabilities		366	366
Net assets			
		<u>180,913</u>	<u>168,131</u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>13</i>	5,155	5,150
Reserves		175,758	162,981
TOTAL EQUITY			
		<u>180,913</u>	<u>168,131</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Attributable to owners of the Company						Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Merger reserve HK\$'000	Translation reserve HK\$'000	Share option reserve HK\$'000	Retained earnings HK\$'000	
At 1 April 2013	-	-	-	-	-	38,551	38,551
Loss for the year	-	-	-	-	-	(5,733)	(5,733)
Other comprehensive loss:							
Exchange difference arising on translation of foreign operations	-	-	-	(127)	-	-	(127)
Total comprehensive loss for the year	-	-	-	(127)	-	(5,733)	(5,860)
Issue of ordinary shares pursuant to the Reorganisation (note 13(d))	10	-	(10)	-	-	-	-
Capitalisation issue (note 13(e))	3,844	(3,844)	-	-	-	-	-
Issuance of new shares by way of placing (note 13(f))	1,296	137,376	-	-	-	-	138,672
Share issue expense	-	(10,596)	-	-	-	-	(10,596)
Equity-settled share-based payments	-	-	-	-	7,364	-	7,364
At 31 March 2014 and 1 April 2014	5,150	122,936	(10)	(127)	7,364	32,818	168,131
Profit for the year	-	-	-	-	-	31,521	31,521
Other comprehensive loss:							
Exchange difference 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 (note 6)	-	-	-	-	-	(20,600)	(20,600)
Share options lapsed	-	-	-	-	(139)	139	-
Equity-settled share-based payments	-	-	-	-	1,075	-	1,075
Shares issued under share option scheme (note 13(g))	5	954	-	-	(139)	-	820
At 31 March 2015	5,155	123,890	(10)	(161)	8,161	43,878	180,913

NOTES

1. CORPORATE INFORMATION AND REORGANISATION

(a) Corporate Information

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

The Company is an investment holding company and its subsidiaries (collectively referred to as the “Group”) are principally engaged in the sale, marketing and distribution of health and beauty supplements and products in Hong Kong, 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) Reorganisation

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

The Group resulting from the Reorganisation is regarded as a continuing entity. The consolidated financial statements have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting under Common Control Combination” issued by the Hong Kong Institute of Certified Public Accountants (the “HKICPA”) as if the group structure under the Reorganisation had been in existence throughout the year or since their respective dates of incorporation of the entities now comprising the Group, whichever is the shorter period.

(c) 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. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The HKICPA has issued the following amendments to HKFRSs and one new interpretation that are first effective for the current accounting period of the Group.

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities
Amendments to HKAS 36	Recoverable Amount Disclosures for Non-Financial Assets
Amendments to HKAS 39	Novation of Derivatives and Continuation of Hedge Accounting
HK(IFRIC)-Int 21	Levies

The application of the amended HKFRSs and Interpretation 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 this announcement. The Group has not applied the new and revised HKFRSs that have been issued but are not yet effective in these financial statements.

In addition, the Company has early adopted the amendments to the Rules Governing the Listing of Securities on the Growth Enterprises Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") issued by the Stock Exchange relating to the disclosure of financial information with reference to the Hong Kong Companies Ordinance (Cap. 622) during the current financial year. The main impact to the financial statements is on the presentation and disclosure of certain information in the financial statements.

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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Health supplements	194,500	131,796
Beauty supplements and products	31,011	37,032
Others	2,166	856
	227,677	169,684

4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the followings:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
(a) Staff costs:		
Salaries, allowances, and other benefits (including directors' remuneration)	54,296	43,790
Equity-settled share-based payments	–	7,364
Contributions to defined contribution retirement plans	1,934	1,520
	<u>56,230</u>	<u>52,674</u>
(b) Other items:		
Auditors' remuneration	940	1,088
Cost of inventories (<i>note i</i>)	50,805	39,692
Depreciation on property, plant and equipment	2,186	1,727
Amortisation of intangible assets	114	57
Provision for goods returns	1,686	1,369
Operating lease charges: minimum lease payments	1,480	407
Research and development costs	3,146	2,018
Equity-settled share-based payments — consultant	1,075	–
Impairment loss on trade receivables	102	–
Rent for special designated counters	22,493	16,098
	<u>22,493</u>	<u>16,098</u>
(c) Finance costs:		
Bank overdraft interest	227	14
Finance charge on obligations under finance lease	–	1
Interest on bank loans	74	89
	<u>74</u>	<u>89</u>
Total interest expenses on financial liabilities not at fair value through profit or loss	<u>301</u>	<u>104</u>

Note:

- (i) For the year ended 31 March 2015, cost of inventories includes HK\$5,355,000 (2014: HK\$4,964,000) 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

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Current tax		
Hong Kong Profits Tax	8,046	5,011
PRC Enterprise Income Tax	1,222	–
(Overprovision)/underprovision in respect of prior years		
Hong Kong Profits Tax	(874)	874
Deferred taxation		
Origination and reversal of temporary differences	–	295
	<u>8,394</u>	<u>6,180</u>

Hong Kong Profits Tax is calculated at 16.5% (2014: 16.5%) of the estimated assessable profit 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 2014 and 2015.

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Profit before taxation	<u>39,915</u>	<u>447</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	7,007	55
Tax effect on non-taxable income	(64)	(462)
Tax effect on non-deductible expenses	436	4,522
Tax effect of tax losses not recognised	1,872	1,037
Others	117	202
Special tax deduction	(100)	(40)
(Overprovision)/underprovision in respect of prior years	(874)	874
Utilisation of tax losses not previously recognised	–	(8)
Actual tax expense	<u>8,394</u>	<u>6,180</u>

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
At beginning of the year	(2,218)	(16)
Provision for the year	9,268	5,011
(Overprovision)/underprovision in respect of prior years	(874)	874
Tax paid	(1,925)	(8,087)
	<hr/>	<hr/>
At end of the year	<u>4,251</u>	<u>(2,218)</u>

6. DIVIDENDS

At a meeting held on 24 June 2014, the Board recommended the payment of a special dividend of HK4 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. The final dividend for 2015 proposed after the end of the reporting period is subject to approval by the shareholders at the forthcoming annual general meeting and is not recognised as dividend payable in the financial statements for the year ended 31 March 2015.

7. EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

The calculation of basic earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$31,521,000 (2014: loss of HK\$5,733,000) and the weighted average number of ordinary shares in issue of 515,028,767 (2014: 446,471,780 ordinary shares), calculated as follows:

Weighted average number of ordinary shares (basic)

	2015 <i>Number of shares</i>	2014 <i>Number of shares</i>
Issued ordinary shares at 1 April	515,000,000	–
Effect of issue at date of incorporation and subdivision <i>(notes 13(a) and 13(b))</i>	–	10
Effect of shares issued under Reorganisation <i>(note 13(d))</i>	–	999,990
Effect of capitalisation issue <i>(note 13(e))</i>	–	384,400,000
Effect of shares issued under placing <i>(note 13(f))</i>	–	61,071,780
Effect of shares issued under share option scheme <i>(note 13(g))</i>	28,767	–
	<hr/>	<hr/>
Weighted average number of ordinary shares in issue	<u>515,028,767</u>	<u>446,471,780</u>

For the year ended 31 March 2014, the calculation of the weighted average number of ordinary shares for the purpose of basic loss per share has taken into account the shares issued pursuant to the Reorganisation and the capitalization issue of 384,400,000 ordinary shares of HK\$0.01 each of the Company at par value on 11 October 2013 as stated in note 13 as if it had been effective on 1 April 2013.

(b) Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per share is based on the profit attributable to owners of the Company of HK\$31,521,000 (2014: loss of HK\$5,733,000) 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)

	2015	2014
	<i>Number of shares</i>	<i>Number of shares</i>
Weighted average number of ordinary shares (basic)	515,028,767	446,471,780
Effect of deemed issue of shares under the Company's share option scheme for nil consideration	<u>2,133,510</u>	<u>1,510,305</u>
Weighted average number of ordinary shares (diluted)	<u>517,162,277</u>	<u>447,982,085</u>

The computation of diluted loss per share for the year ended 31 March 2014 does not assume the exercise of the Company's outstanding share options during the year ended 31 March 2014 since their exercise would result in a decrease in loss per share.

8. PROPERTY, PLANT AND EQUIPMENT

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 April	17,036	16,868
Additions during the year	2,768	1,981
Depreciation provided during the year	(2,186)	(1,727)
Disposals during the year	(4)	(275)
Written back of accumulated depreciation on disposals during the year	1	189
Carrying amount at 31 March	<u>17,615</u>	<u>17,036</u>

As at 31 March 2015, the Group has pledged its leasehold land and buildings held for own use with carrying amount of HK\$5,939,000 (2014: HK\$6,123,000) to a bank to secure banking facilities granted to the Group (note 12).

9. INTANGIBLE ASSETS

	2015	2014
	<i>HK\$'000</i>	<i>HK\$'000</i>
Carrying amount at 1 April	743	–
Additions during the year	–	800
Amortisation charge for the year	(114)	(57)
Carrying amount at 31 March	<u>629</u>	<u>743</u>

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

10. TRADE AND OTHER RECEIVABLES

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade receivables	47,853	17,336
Less: Allowance for doubtful debts	(102)	–
	<u>47,751</u>	<u>17,336</u>
Other receivables	1,538	1,087
	<u>49,289</u>	<u>18,423</u>
Loans and receivables	9,684	3,437
Prepayments	7,382	3,966
Deposits	17,066	7,403
	<u>66,355</u>	<u>25,826</u>
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Analysis of trade and other receivables:		
Non-current portion	2,817	–
Current portion	63,538	25,826
	<u>66,355</u>	<u>25,826</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\$911,000 (2014: HK\$Nil) and HK\$1,906,000 (2014: HK\$Nil) 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 (or date of revenue recognition, if earlier) as at the end of the reporting period:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	39,374	8,586
31–60 days	7,728	8,133
61–90 days	5	30
91–180 days	252	46
181–365 days	25	265
Over 365 days	367	276
	<u>47,751</u>	<u>17,336</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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Trade payables	5,965	3,985
Salary and welfare payables	4,605	4,299
Accrued advertising expenses	4,548	3,697
Other payables and accruals	3,852	1,830
	<u>18,970</u>	<u>13,811</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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
0–30 days	3,577	1,234
31–60 days	653	1,091
61–90 days	595	649
91–180 days	1,091	488
181–365 days	–	242
Over 365 days	49	281
	<u>5,965</u>	<u>3,985</u>

12. BANK LOANS AND OVERDRAFTS

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Carrying amount of bank loans and overdrafts that contain a repayment on demand clause:		
Repayable within one year	1,918	559
Repayable after one year (shown under current liabilities)	1,813	2,388
	<u>3,731</u>	<u>2,947</u>

As at 31 March 2015, the bank loans of the Group are secured by the leasehold land and buildings with carrying amount of HK\$5,939,000 (2014: HK\$6,123,000).

13. SHARE CAPITAL

	<i>Notes</i>	Number of ordinary shares of HK\$0.10 per share	Number of ordinary shares of HK\$0.01 per share	Nominal value ordinary shares HK\$
<i>Authorised:</i>				
At 1 April 2013	<i>(a)</i>	3,800,000	–	380,000.00
Share subdivision	<i>(b)</i>	(3,800,000)	38,000,000	–
Increase in authorised share capital	<i>(c)</i>	–	962,000,000	9,620,000.00
At 31 March 2014, 1 April 2014 and 31 March 2015		–	1,000,000,000	10,000,000.00
<i>Issued and fully paid:</i>				
At 1 April 2013	<i>(a)</i>	1	–	–
Share subdivision	<i>(b)</i>	(1)	10	–
Issue of ordinary shares pursuant to the Reorganisation	<i>(d)</i>	–	999,990	9,999.90
Credit the 10 shares in issue as fully paid pursuant to the Reorganisation	<i>(d)</i>	–	–	0.10
Capitalisation issue	<i>(e)</i>	–	384,400,000	3,844,000.00
Issuance of new shares by way of placing	<i>(f)</i>	–	129,600,000	1,296,000.00
At 31 March 2014 and 1 April 2014		–	515,000,000	5,150,000.00
Shares issued under share option scheme	<i>(g)</i>	–	500,000	5,000.00
At 31 March 2015		–	515,500,000	5,155,000.00

Notes:

- (a) The Company was incorporated in the Cayman Islands on 5 December 2011. As at the date of incorporation, the Company has an authorised share capital of HK\$380,000 divided into 3,800,000 shares of HK\$0.10 each, one share of which was allotted and issued nil paid to the subscriber to the Company. On 5 December 2011, the one share held by the subscriber was transferred to Able Island Group Limited (“Able Island”), the ultimate holding company of the Company.
- (b) Pursuant to the sole shareholder resolutions of the Company dated 16 September 2013, the share capital of the Company was subdivided in such manner that every existing share of HK\$0.1 was subdivided into ten shares of HK\$0.01 each so that the authorised share capital of the Company is HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each.
- (c) Pursuant to the written resolutions of the sole shareholder passed on 24 September 2013, the authorised share capital of the Company was increased from HK\$380,000 divided into 38,000,000 shares of HK\$0.01 each to HK\$10,000,000 divided into 1,000,000,000 shares of HK\$0.01 each by the creation of a further 962,000,000 shares of HK\$0.01 each. All shares ranking pari passu with the existing shares in all respects.

- (d) Pursuant to a sale and purchase agreement dated 23 September 2013 entered into between the Company as purchaser and Able Island as vendor, the Company acquired from Able Island 11 shares of Noble State Holdings Limited (“Noble State”), representing the entire issued share capital of Noble State, at a consideration of HK\$38,551,000 on 23 September 2013, which was fully satisfied by (i) the Company allotting and issuing 999,990 shares credited as fully paid up to Able Island; and (ii) the Company crediting as fully paid at par the ten nil paid shares held by Able Island.
- (e) Pursuant to the written resolution of the sole shareholder passed on 24 September 2013, conditional on the share premium account of the Company being credited as a result of the Placing as defined in the Prospectus dated 30 September 2013, upon the recommendation of the Directors, the sum of HK\$3,844,000, being part of the amount which would then be standing to the credit of the share premium account of the Company be capitalised and applied in paying up in full 384,400,000 shares to be allotted credited as fully paid at par to Able Island.
- (f) On 11 October 2013, the Company issued 129,600,000 shares of HK\$0.01 each at a price of HK\$1.07 per share by way of placing to selected institutional, professional and other investors. Net proceeds from such issues amounted to HK\$128,076,000 (after offsetting expenses directly attributable to the issue of shares of HK\$10,596,000), out of which HK\$1,296,000 and HK\$126,780,000 were recorded in share capital and share premium respectively.
- (g) 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.

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 2015 and 2014 is set out below:

	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>	<u>100,017</u>
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 year ended 31 March 2014					
	Proprietary brands		Private label brands		Other items	Total
	Health supplements	Beauty supplements and products	Health supplements	Beauty supplements and products		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Revenue from external customers	104,291	28,277	27,505	8,755	856	169,684
Cost of sales	(22,511)	(9,951)	(4,158)	(2,732)	(340)	(39,692)
Gross profit	81,780	18,326	23,347	6,023	516	129,992
Selling and distribution expenses	(34,389)	(8,350)	(3,514)	(2,051)	-	(48,304)
Administrative expenses	(6,404)	(388)	(8,079)	(818)	-	(15,689)
Segment results	<u>40,987</u>	<u>9,588</u>	<u>11,754</u>	<u>3,154</u>	<u>516</u>	<u>65,999</u>
Other revenue and other net income						2,710
Unallocated head office and corporate expenses						(68,158)
Finance costs						(104)
Profit before taxation						<u>447</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	
	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Proprietary brands:		
Health supplements	453	344
Beauty supplements and products	64	78
Private label brands:		
Health supplements	96	76
Beauty supplements and products	6	24
Trading of goods:		
Health supplements	3	–
Beauty supplements and products	1	–
Unallocated	1,677	1,262
Total	2,300	1,784

(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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	218,548	167,631
The PRC	7,735	–
Taiwan	1,394	2,053
	227,677	169,684

Non-current assets

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Hong Kong	20,782	17,659
The PRC	167	–
Taiwan	112	120
	<u>21,061</u>	<u>17,779</u>

(c) Information about major customer

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

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Customer A (<i>note (i)</i>)	<u>153,638</u>	<u>113,336</u>

Note:

(i) The sales were derived from the following segments:

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

15. OPERATING LEASE COMMITMENTS

As lessee

At 31 March 2014 and 2015, the Group had outstanding commitments under non-cancellable operating leases falling due as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Within one year	3,649	411
In the second to fifth year, inclusive	<u>5,580</u>	<u>57</u>
	<u>9,229</u>	<u>468</u>

The Group leases warehouses, office premises, shop premises and staff quarters under non-cancellable operating lease arrangements with lease terms of one to three 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) Related party transactions included in the consolidated statement of financial position

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Amount due to ultimate holding company, Able Island		
Repaid to	–	26,500
Outstanding balance	–	–
	<u>–</u>	<u>–</u>
Amount due to a director, Chan Yan Tak		
Repaid to	–	29
Outstanding balance	–	–
	<u>–</u>	<u>–</u>

(b) 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:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>
Short-term employee benefits	11,108	8,209
Post-employment benefits	152	113
Equity-settled share-based payments	–	7,228
	<u>–</u>	<u>7,228</u>
	11,260	15,550
	<u>11,260</u>	<u>15,550</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 Group opened its flagship Chinese Medicine Clinic in the Jordan district, Kowloon in October 2014 and currently operates three Chinese medicine clinics to provide traditional Chinese medicine treatments, services and retailing of health supplements to the general public consumers. The Distribution Facilitator remains as the Group's major customer during the year ended 31 March 2015, which contributed to approximately 67.5% of the Group's total revenue.

The following table sets forth the revenue generated from new products introduced by the Group during the two years ended 31 March 2015:

	For the year ended 31 March			
	2015		2014	
	Number of new products introduced	Revenue HK\$'000	Number of new products introduced	Revenue HK\$'000
Health supplements:				
Proprietary brands	7	11,170	9	4,474
Private label brands	4	4,685	4	3,724
Trading of goods	7	1,673	–	–
	18	17,528	13	8,198
Beauty supplements and products:				
Proprietary brands	1	265	2	12,572
Private label brands	5	296	1	224
Trading of goods	1	133	–	–
	7	694	3	12,796
Total	25	18,222	16	20,994

As at 31 March 2015, the Group sold and distributed 33 (2014: 30) health supplements and 8 (2014: 9) beauty supplements and products under its proprietary brands. The Group sold and distributed 39 (2014: 39) health supplements and 9 (2014: 6) beauty supplements and products under the Distribution Facilitator's private label brands. The Group also sold 7 (2014: 0) health supplements and 1 (2014: 0) beauty supplements and products under trading of goods.

FINANCIAL REVIEW

The Group reported a net profit of approximately HK\$31.5 million for the year against a loss of approximately HK\$5.7 million for the previous year. EBIT of the Group amounted to approximately HK\$40.2 million for the year, against an EBIT of approximately HK\$0.6 million for previous year; while the adjusted EBIT increased from approximately HK\$31.3 million to HK\$41.3 million as follows:

	2015 <i>HK\$'000</i>	2014 <i>HK\$'000</i>	<i>% change</i>
EBIT	40,216	551	7,198.7%
Adjusted for significant one-off expenses of the Group as follows:			
Listing expenses	–	15,370	-100%
Equity-settled share-based payments	1,075	7,364	-85.4%
One-off corporate image promotion expenses	–	8,000	-100%
Adjusted EBIT	41,291	31,285	32.0%

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 2015:

	For the year ended 31 March			
	2015		2014	
	<i>HK\$'000</i>	<i>% of total revenue</i>	<i>HK\$'000</i>	<i>% of total revenue</i>
Business segments				
Health supplements	194,500	85.4%	131,796	77.7%
Beauty supplements and products	31,011	13.6%	37,032	21.8%
Others	2,166	1.0%	856	0.5%
Total	227,677	100%	169,684	100.0%

The Group's revenue increased by approximately HK\$58.0 million or 34.2% from approximately HK\$169.7 million to HK\$227.7 million for the two years ended 31 March 2015, which was the net effect of an increase in sales of health supplements, a decrease in sales in beauty supplements and products, and an increase in sales under the others segment. The Group's revenue attributable to health supplements increased by approximately HK\$62.7 million or 47.6% from approximately HK\$131.8 million to HK\$194.5 million, while revenue attributable to beauty supplements and products decreased by approximately HK\$6.0 million or 16.2% from approximately HK\$37.0 million to HK\$31.0 million for the two years ended 31 March 2015.

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.

For the year ended 31 March 2014, the Group's top 5 best-selling products were Royal Medic No.1 Chinese Cs-4, La Gusto Slim Coffee, Melty Enzyme, Royal Medic Liver Guard and RM Broken Ganoderma Spore, which in aggregate contributed to approximately HK\$83.2 million or 49.0% of the Group's total revenue.

Proprietary brands health supplements

The Group's revenue attributable to proprietary brands health supplements increased by approximately HK\$45.7 million or 43.8% from approximately HK\$104.3 million to HK\$150.0 million for the year ended 31 March 2015 as compared with the same period of last year. The increase was attributable to an increased number of one day special promotion events (出位價) for the Royal Medic No. 1 Chinese Cs-4 held during the year as a result of positive market response.

Private label brands health supplements

The revenue attributable to private label brands health supplements increased by approximately HK\$15.3 million or 55.6% from approximately HK\$27.5 million to HK\$42.8 million for the two years ended 31 March 2015. 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 ("SDC"), which primarily sold health supplements.

Trading of health supplements

The revenue attributable to the trading of health supplements amounted to approximately HK\$1.7 million for the year ended 31 March 2015.

Proprietary brands beauty supplements and products

Revenue attributable to proprietary brands beauty supplements and products slightly decreased by approximately HK\$0.1 million or 0.4% from approximately HK\$28.3 million to HK\$28.2 million for the two years ended 31 March 2015.

Private label brands beauty supplements and products

The revenue attributable to private label brands beauty supplements and products decreased by approximately HK\$6.1 million or 69.3% from approximately HK\$8.8 million to HK\$2.7 million for the two years ended 31 March 2015. The decrease was primarily due to the Group focusing resources on marketing and launching of Health Proof products, which were primarily health supplements.

Trading of beauty supplements and products

The revenue attributable to the trading of beauty supplements and products amounted to approximately HK\$133,000 for the year ended 31 March 2015.

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 2015:

	For the year ended 31 March			
	2015	% of total	2014	% of total
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
Shelves in the Distribution				
Facilitator's stores	153,638	67.5%	113,336	66.8%
SDCs located in the Distribution				
Facilitator's stores	50,652	22.2%	42,304	24.9%
Hong Kong Brands and				
Products Expo	11,205	4.9%	10,103	6.0%
Other distribution channels				
<i>(Note 1)</i>	10,016	4.4%	3,085	1.8%
Others <i>(Note 2)</i>	2,166	1.0%	856	0.5%
Total	227,677	100%	169,684	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 and trading of packaging materials.

As at 31 March 2015, the Group had 13 (2014: 15) Royal Medic SDCs and 15 (2014: 13) 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 2015:

	For the year ended 31 March			
	2015	% of total	2014	% of total
	<i>HK\$'000</i>	<i>revenue</i>	<i>HK\$'000</i>	<i>revenue</i>
Hong Kong	218,548	96.0%	167,631	98.8%
Taiwan	1,394	0.6%	2,053	1.2%
The PRC	7,735	3.4%	—	—
Total	227,677	100%	169,684	100.0%

Cost of sales

The Group's cost of sales primarily comprises of cost of raw material 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 2015:

	For the year ended 31 March			
	2015		2014	
	HK\$'000	%	HK\$'000	%
Health supplements:				
Proprietary brands	117,354	78.2%	81,780	78.4%
Private label brands	36,161	84.5%	23,347	84.9%
Trading of goods	1,244	74.4%	–	–
	<u>154,759</u>	<u>79.6%</u>	<u>105,127</u>	<u>79.8%</u>
Beauty supplements and products:				
Proprietary brands	18,419	65.4%	18,326	64.8%
Private label brands	1,997	73.8%	6,023	68.8%
Trading of goods	76	57.1%	–	–
	<u>20,492</u>	<u>66.1%</u>	<u>24,349</u>	<u>65.8%</u>
Others	<u>1,621</u>	<u>74.8%</u>	<u>516</u>	<u>60.2%</u>
Total	<u><u>176,872</u></u>	<u><u>77.7%</u></u>	<u><u>129,992</u></u>	<u><u>76.6%</u></u>

Gross profit for the year ended 31 March 2015 was approximately HK\$176.9 million, representing an increase of approximately 36.1% as compared with that for the corresponding period in 2014. The gross profit margin of the Group for the year ended 31 March 2015 was approximately 77.7%, representing an increase of approximately 1.1 percentage points from approximately 76.6% as compared with the corresponding period in 2014.

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 a breakdown of the major items of the Group's selling and distribution expenses for the two years ended 31 March 2015:

	For the year ended 31 March			
	2015		2014	
	HK\$'000	%	HK\$'000	%
Advertising and promotion expenses	35,788	64.9%	33,507	69.2%
Commission charges	15,283	27.7%	11,579	23.9%
Exhibition expenses	1,426	2.6%	1,547	3.2%
Others	2,639	4.8%	1,802	3.7%
Total	<u>55,136</u>	<u>100%</u>	<u>48,435</u>	<u>100.0%</u>

The Group's selling and distribution expenses increased by approximately HK\$6.7 million or 13.8% from approximately HK\$48.4 million to HK\$55.1 million for the two years ended 31 March 2015. It was primarily attributable to (i) the increase in sales; (ii) the increase in commission expenses as a result of the increase in sales generated by promoters while the average commission rate remained stable; and (iii) the absence of a one-off marketing campaign to promote the Group's corporate image in Hong Kong during the year ended 31 March 2015.

Administrative expenses

The administrative expenses mainly consist of salaries and staff related costs for administrative personnel (including the Directors), rent for SDCs, consultancy fees, traveling and entertainment expenses and research and development costs. The following table sets forth a breakdown for the major items of the Group's administrative expenses for the two years ended 31 March 2015:

	For the year ended 31 March			
	2015		2014	
	HK\$'000	%	HK\$'000	%
Salaries	30,477	37.5%	24,489	40.2%
Rent for SDCs	22,493	27.7%	16,098	26.4%
Directors' emoluments	5,110	6.3%	4,136	6.8%
Contributions to defined contribution retirement plans and other staff benefits	2,201	2.7%	1,975	3.2%
Research and development costs	3,146	3.9%	2,018	3.3%
Legal and professional fees	4,777	5.9%	2,619	4.3%
Others	12,968	16.0%	9,647	15.8%
Total	<u>81,172</u>	<u>100%</u>	<u>60,982</u>	<u>100%</u>

The Group's administrative expenses increased by approximately HK\$20.2 million or 33.1% from approximately HK\$61.0 million to HK\$81.2 million for the two years ended 31 March 2015. It was primarily attributable to increased Directors' emolument and salaries costs, rental expense, legal and professional fees and costs incurred in developing overseas markets.

Listing expenses

The Group did not incur listing expenses in the year ended 31 March 2015 (2014: HK\$15.4 million).

Equity-settled share-based payments

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

During the year ended 31 March 2014, the Group recognised a total expense of approximately HK\$7.4 million in relation to the Share Options granted by the Company to directors and employees.

Profit before taxation

The Group's profit before taxation increased from approximately HK\$0.4 million to HK\$39.9 million for the two years ended 31 March 2015. The increase was mainly due to (i) an increase in sales; (ii) the absence of listing expenses and other related charges of approximately HK\$15.4 million; (iii) a decrease in equity-settled share-based payment in respect of the Share Options granted by the Company of approximately HK\$6.3 million; and (iv) the absence of one-off marketing campaign of approximately HK\$8.0 million to promote the Group's corporate image in Hong Kong; incurred during the year ended 31 March 2014.

Taxation

Taxation for the year ended 31 March 2015 was approximately HK\$8.4 million (2014: HK\$6.2 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/(loss) for the year

As a result of the foregoing factors, the Group recorded a net profit of approximately HK\$31.5 million during the year ended 31 March 2015, as compared with a net loss of approximately HK\$5.7 million for the year ended 31 March 2014.

Inventories

The inventories decreased by approximately HK\$1.4 million or 8.0% from approximately HK\$17.5 million to HK\$16.1 million, as at 31 March 2014 and 2015, respectively. The Group's total inventory turnover days decreased from 139 days to 121 days for the two years ended 31 March 2015. As at 31 March 2014, the Group held an increased inventory level of raw materials and finished goods to cater for the special promotion event scheduled in April 2014 and increased in inventory level of finished goods for the Taiwan market.

Trade and other receivables

Trade and other receivables increased by approximately HK\$40.6 million or 157.4% from approximately HK\$25.8 million to HK\$66.4 million as at 31 March 2014 and 2015. Of which, trade receivables increased by approximately HK\$30.5 million or 176.3% from approximately HK\$17.3 million to HK\$47.8 million as at 31 March 2014 and 2015. The Group's total receivable turnover days increased from 45 days to 52 days for the two years ended 31 March 2015.

Trade and other payables

Trade and other payables increased by approximately HK\$5.2 million or 37.7% from approximately HK\$13.8 million to HK\$19.0 million as at 31 March 2014 and 2015. Of which, trade payables increased by approximately HK\$2.0 million or 50.0% from approximately HK\$4.0 million to HK\$6.0 million as at 31 March 2014 and 2015. The Group's total payables turnover days increased from 32 days to 36 days for the two years ended 31 March 2015.

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 2015, cash and bank balances of the Group amounted to approximately HK\$109.0 million (2014: HK\$123.3 million) and the current ratio (current assets divided by current liabilities) of the Group was 6.6 times as at 31 March 2015 (2014: 9.3 times). The Group's gearing ratio, representing total borrowings divided by total equity, was approximately 2.1% as at 31 March 2015 (2014: 1.8%). 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 2015, the Group has unutilised general banking facilities of approximately HK\$22.2 million (2014: HK\$12.9 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 remains unchanged throughout the year.

EMPLOYEE INFORMATION

As at 31 March 2015, the Group had 172 (2014: 173) employees. For the year ended 31 March 2015, staff cost including directors' remuneration was approximately HK\$56.2 million (2014: HK\$52.7 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”.

Overseas markets

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

At the same time, the Group’s products continue to be sold in the stores of the distribution facilitator in Taiwan (“Taiwan Distribution Facilitator”), on a non-exclusive basis, without the use of promoters. The Group discontinued the use of promoters in the Taiwan Distribution Facilitator’s stores in October 2014.

The Group also entered into distribution agreements with two distributors to promote and sell certain of its products in the PRC.

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

Save as disclosed above, there was no important event affecting the Group which has occurred since 31 March 2015.

MATERIAL ACQUISITIONS OR DISPOSALS

There was no material acquisition and disposal of subsidiaries, associated companies and joint ventures during the year ended 31 March 2015.

CONTINGENT LIABILITIES

As at 31 March 2014 and 2015, the Group had no material contingent liabilities.

CAPITAL COMMITMENT

As at 31 March 2014 and 2015, the Group did not have significant capital commitment.

FOREIGN EXCHANGE EXPOSURE

The Group is exposed to foreign currency risk primarily through purchases that are denominated in a currency other than the functional currency of the operations to which they related. The currency giving rise to this risk are primarily United States dollars, the impact of foreign exchange rate fluctuations is insignificant as the Hong Kong dollar is pegged to the United States dollar.

CHARGES ON ASSETS

As at 31 March 2015, the Group has secured bank loans of approximately HK\$2.4 million (2014: HK\$2.9 million). The banking facilities are secured by the Group's land and buildings, having carrying amount of approximately HK\$5.9 million as at 31 March 2015 (2014: HK\$6.1 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 with the Group's actual business progress for the period from 1 October 2014 to 31 March 2015 is set out below:

Business objectives for the period from 1 October 2014 to 31 March 2015 as stated in the Prospectus	Actual business progress up to 31 March 2015
<p><i>Expansion of distribution network</i></p> <ul style="list-style-type: none"> • Set up 1 to 3 new SDCs • Employ more promoters 	<ul style="list-style-type: none"> • The Group continues to identify suitable stores of the Distribution Facilitator to set up SDCs. The Group had 28 SDCs including 13 Royal Medic SDCs and 15 Health Proof SDCs as at 31 March 2015. • The Group continues to employ promoters and employed 100 promoters as at 31 March 2015.
<p><i>Collaboration with CUCAMed Company Limited, wholly-owned subsidiary of The Chinese University of Hong Kong Foundation Limited, to develop products</i></p> <ul style="list-style-type: none"> • Launch new health supplements under the “LEGEND” brand • Continue to engage brand ambassadors to promote products • Strengthen branding and marketing through various media channels 	<ul style="list-style-type: none"> • The Group launched three health supplements under “LEGEND” as at 31 March 2015. • The Group continues to engage a brand ambassador to promote the products under “LEGEND”. • 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.

Business objectives for the period from 1 October 2014 to 31 March 2015 as stated in the Prospectus	Actual business progress up to 31 March 2015
<p><i>Expanding overseas markets</i></p> <ul style="list-style-type: none"> • Continue to engage brand ambassadors in Taiwan • Recruit more promoters in Taiwan and strengthen branding and marketing through various media channels in Taiwan • Continue to explore the opportunities in other overseas markets 	<ul style="list-style-type: none"> • The Group continues the engagement of one brand ambassador who is well-known amongst the Taiwanese consumers to promote the Group's products in Taiwan. One brand ambassador's contract expired in June 2014. • In order to improve the sales performance and reduce costs in Taiwan, the Group entered into a distribution agreement with a distributor in Taiwan to promote and sell its products in June 2015. At the same time, the Group's products continue to be sold in the stores of the Taiwan Distribution Facilitator, on a non-exclusive basis, without the use of promoters. The Group discontinued the use of promoters in the Taiwan Distribution Facilitator's stores in October 2014. • The Group entered into distribution agreements with two distributors to promote and sell certain of its products in the PRC. The Group is also exploring opportunities in other overseas markets in southeast Asian countries by negotiating with potential distributors.

Business objectives for the period from 1 October 2014 to 31 March 2015 as stated in the Prospectus	Actual business progress up to 31 March 2015
<p data-bbox="164 304 635 410"><i>Enhancing the Group’s marketing and promotion activities in Hong Kong</i></p> <ul data-bbox="164 453 673 1123" style="list-style-type: none"> <li data-bbox="164 453 603 527">• Continue to engage brand ambassadors in Hong Kong <li data-bbox="164 602 643 708">• Strengthen branding and marketing through various media channels in Hong Kong <li data-bbox="164 1017 673 1123">• Engage a reputable university to conduct preliminary clinical trials 	<ul data-bbox="699 453 1433 1308" style="list-style-type: none"> <li data-bbox="699 453 1433 559">• The Group continues the engagement of brand ambassadors to promote the Group’s products in Hong Kong. <li data-bbox="699 602 1433 974">• The Group continues to promote its products through various media and channels, such as television commercials and printed media, in Hong Kong. In September 2014, the Group took up the opportunity to promote the Royal Medic brand by becoming the title sponsor of the prime time television soap-opera — “The Grand Apothecary” which was broadcast during the period from 8 September 2014 to 17 October 2014. <li data-bbox="699 1017 1433 1308">• The Group continues its collaboration with universities including the engagement of universities to (i) conduct preliminary clinical trial on one product, (ii) testing functionalities of the active ingredient of a product under development and (iii) report on the comparison of the functionalities between Cordyceps and Royal Medic No. 1 Chinese Cs-4.

The business objectives and 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 October 2014 to 31 March 2015, the net proceeds from issuance of new shares of the Company by way of placing had been applied as follows:

	Planned use of proceeds as stated in the Prospectus		Actual use of proceeds		
	Total	1 October 2014 to 31 March 2015	11 October 2013 to 30 September 2014	1 October 2014 to 31 March 2015	Total amount utilised upto 31 March 2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Expansion of distribution network	5,950	600	–	–	–
Collaboration with CUCAMed to develop products	47,600	8,600	5,100	293	5,393
Expanding overseas markets	41,650	5,527	271	–	271
Enhancing the Group's marketing and promotion activities in Hong Kong	13,090	2,226	6,631	2,226	8,857
General working capital	10,710	2,500	5,000	2,500	7,500
	<u>119,000</u>	<u>19,453</u>	<u>17,002</u>	<u>5,019</u>	<u>22,021</u>

The Group may face challenges in implementing its statement of business objectives

The success of the Group's operations depends on, among other things, the proper and timely execution of the Group's future business plans. The Group's future business strategies are described in the paragraph headed "Implementation Plan" under section headed "Future Plans and Use of Proceeds" in the Prospectus. The Group endeavours to achieve its business objectives and adopts the business strategies in accordance with the schedule set out in the paragraph headed "Implementation plan" in the same section. The respective scheduled completion times are based on certain bases and assumptions as set out in the paragraph headed "Bases and Assumptions" in the same section. These bases and assumptions are inherently subject to many uncertainties and unpredictable factors, in particular the risk factors as set out under the section headed "Risk Factors" in the Prospectus. Therefore, there is no assurance that the Group's business plans will materialise in accordance with the estimated time frame and that the Group's future plans will be accomplished at all.

PURCHASE, REDEMPTION AND SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the year ended 31 March 2015 (2014: Nil).

DIVIDEND

The Board recommends the payment of a final dividend for the year ended 31 March 2015 of HK2.5 cents per ordinary share (the “Final Dividend”) to the shareholders of the Company (the “Shareholder(s)”) whose names appear on the register of members of the Company on Tuesday, 11 August 2015, amounting to approximately HK\$12,907,500, subject to approval by the Shareholders in the forthcoming annual general meeting of the Company to be held on Tuesday, 4 August 2015 (the “2015 AGM”).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 3 August 2015 to Tuesday, 4 August 2015 (both dates inclusive), during which no transfer of Shares of the Company will be effected. In order to qualify for attendance of the 2015 AGM, 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 (“Tricor”), at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong (“Tricor Office”), not later than 4:30 p.m. on Friday, 31 July 2015. The register of members of the Company will also be closed from Monday, 10 August 2015 to Tuesday, 11 August 2015 (both days inclusive), during which no transfer of shares of the Company will be effected. In order to qualify for the Final Dividend, all completed transfer forms accompanied by the relevant share certificates of the Company must be lodged with the Company’s branch share registrar, Tricor, at Tricor Office, not later than 4:30 p.m. on Friday, 7 August 2015.

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 2015, the Group has complied with the code provisions as set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules except the deviation from the code provision A.2.1.

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 nine 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 set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding Directors' securities transactions in the securities of the Company. Upon the Company's specific enquiry, each Director has confirmed that during the year ended 31 March 2015, he or she has fully complied with the required standard of dealings and there is no event of non-compliance.

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 2015 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, 19 June 2015

As at the date of this announcement, the executive directors of the Company are Mr. CHAN Yan Tak, Mr. WONG Mau Tai and Mr. FOO Chi Ming; the non-executive director of the Company is Madam TSANG Pui Man; and the independent non-executive directors of the Company are Prof. NG Ka Ming, Mr. CHENG Kwok Kin, Paul and Mr. WEI Jianan.

This announcement will remain on the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the day of its posting. The announcement will also be published on the Company's website at www.royalmedic.com.