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WANJIA GROUP
萬嘉集團

WANJIA GROUP HOLDINGS LIMITED
萬嘉集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 401)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2015

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2015 is as follows:

- Total turnover was approximately HK$1,567.687 million (2014: approximately HK$2,096.455 million), representing approximately 25.22% of decrease over 2014. The decrease in turnover was mainly driven by the sales from the pharmaceutical wholesales and distribution segment due to the implementation of the New GSP in 2014.

- Gross profit was approximately HK$159.845 million (2014: approximately HK$189.464 million), representing approximately 15.63% of decrease over 2014.

- The operating loss was approximately HK$756.511 million (2014: profit of approximately HK$80.196 million). Net loss for the year was mainly due to the written off of the goodwill of approximately HK$785.169 million. If such effect was taken out, the Group recorded a profit from operation of approximately HK$28.658 million though it was an approximately 64.27% decrease as compared to last year.

- Net loss attributable to owners of the Company was approximately HK$772.949 million (2014: profit of approximately HK$48.920 million).

- The Group had total cash and cash equivalents of approximately HK$43.029 million as at 31 March 2015 (31 March 2014: approximately HK$43.638 million).

- The board does not recommend the payment of a final dividend for the year ended 31 March 2015 (2014: Nil).

RESULTS

The board (the "**Board**") of directors (the "**Directors**") of Wanjia Group Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 March 2015 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2015

	Notes	**2015**	2014
		HK$'000	*HK$'000*
Turnover	*6*	**1,567,687**	2,096,455
Cost of sales		**(1,407,842)**	(1,906,991)
Gross profit		**159,845**	189,464
Other revenue	*7*	**6,379**	7,543
Other (loss)/gain, net		**(122)**	746
Impairment loss on goodwill	*13*	**(785,169)**	–
Selling and distribution expenses		**(90,590)**	(70,524)
Administrative expenses		**(46,854)**	(47,033)
(Loss)/profit from operations	*8*	**(756,511)**	80,196
Finance costs	*9*	**(8,819)**	(6,015)
(Loss)/profit before taxation		**(765,330)**	74,181
Taxation	*10*	**(7,950)**	(25,113)
(Loss)/profit for the year		**(773,280)**	49,068
Other comprehensive income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**1,423**	4,475
Total comprehensive (loss)/income for the year		**(771,857)**	53,543

	Notes	**2015**	2014
		HK$'000	*HK$'000*
(Loss)/profit for the year attributable to:			
Owners of the Company		**(772,949)**	48,920
Non-controlling interests		**(331)**	148
		(773,280)	49,068
Total comprehensive (loss)/income for the year attributable to:			
Owners of the Company		**(771,526)**	53,387
Non-controlling interests		**(331)**	156
		(771,857)	53,543
(Loss)/earnings per share attributable to owners of the Company:			
– Basic *(HK cents per share)*	*11*	**(119.21)**	7.54
– Diluted *(HK cents per share)*	*11*	**(119.21)**	7.54

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2015

	Notes	**2015** *HK$'000*	2014 *HK$'000*
Non-current assets			
Property, plant and equipment		**22,522**	12,569
Prepaid lease payments		**4,342**	4,509
Investment properties		**8,093**	8,306
Goodwill	*13*	**2,213**	785,521
		37,170	810,905
Current assets			
Inventories		**124,849**	128,541
Trade and other receivables and deposits	*14*	**428,686**	427,984
Amounts due from fellow subsidiaries		**8,621**	2,956
Amount due from the immediate holding company		**15**	5
Financial assets at fair value through profit or loss		**–**	1,259
Pledged bank deposits		**12,970**	17,431
Cash and cash equivalents		**43,029**	43,638
		618,170	621,814
Current liabilities			
Trade and other payables	*15*	**242,117**	283,080
Amount due to the ultimate holding company		**4,515**	4,008
Amounts due to fellow subsidiaries		**–**	1,032
Amounts due to non-controlling shareholders of a subsidiary		**–**	134
Bank borrowings		**121,454**	88,088
Tax payables		**4,210**	10,654
		372,296	386,996
Net current assets		**245,874**	234,818
Total assets less current liabilities		**283,044**	1,045,723

	2015	2014
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**6,484**	6,484
Reserves	**267,297**	1,038,823
Equity attributable to owners of the Company	**273,781**	1,045,307
Non-controlling interests	**9,263**	416
Total equity	**283,044**	1,045,723

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2015

	Share capital HK$'000	Share premium HK$'000 (Note (a))	Other reserve HK$'000 (Note (b))	Contribution reserve HK$'000 (Note (c))	Translation reserve HK$'000 (Note (d))	Statutory reserve HK$'000 (Note (e))	(Accumulated losses)/ retained earning HK$'000	Sub-total HK$'000	Non-controlling interests HK$'000	Total HK$'000
At 1 April 2013	1	–	–	–	11,471	18,810	102,480	132,762	439	133,201
Profit for the year	–	–	–	–	–	–	48,920	48,920	148	49,068
Other comprehensive income for the year	–	–	–	–	4,467	–	–	4,467	8	4,475
Total comprehensive income for the year	–	–	–	–	4,467	–	48,920	53,387	156	53,543
Effect of reorganisation	6,483	–	(6,483)	866,811	–	–	–	866,811	–	866,811
Share Issuing expenses	–	(7,653)	–	–	–	–	–	(7,653)	–	(7,653)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(179)	(179)
Transfer to statutory reserve	–	–	–	–	–	10,318	(10,318)	–	–	–
At 31 March 2014 and 1 April 2014	6,484	(7,653)	(6,483)	866,811	15,938	29,128	141,082	1,045,307	416	1,045,723
Loss for the year	–	–	–	–	–	–	(772,949)	(772,949)	(331)	(773,280)
Other comprehensive income for the year	–	–	–	–	1,423	–	–	1,423	–	1,423
Total comprehensive loss for the year	–	–	–	–	1,423	–	(772,949)	(771,526)	(331)	(771,857)
Non-controlling interests arising on the acquisition of subsidiaries	–	–	–	–	–	–	–	–	9,178	9,178
Transfer to statutory reserve	–	–	–	–	–	2,061	(2,061)	–	–	–
At 31 March 2015	**6,484**	**(7,653)**	**(6,483)**	**866,811**	**17,361**	**31,189**	**(633,928)**	**273,781**	**9,263**	**283,044**

Notes:

(a) Share premium

The amount of approximately HK$7,653,000 represents the capitalised listing expenses arised from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 11 October 2013.

(b) Other reserve

Upon the completion of the reorganisation on 3 September 2013, the amount of approximately HK$6,483,000 represented the difference between the Company's share of nominal value of the paid-up capital of the subsidiaries acquired over the Company's cost of acquisition of the subsidiaries under common control upon the reorganisation as detail in the prospectus dated on 30 September 2013.

(c) Contribution reserve

Capitalisation of the outstanding amount of approximately HK$866,811,000 due from Timely Hero Enterprises Limited ("**Timely Hero**") to Hua Xia Healthcare Holdings Limited ("**Hua Xia**") on 3 September 2013 in consideration of (i) the allotment and issue 1 share of US$1 in the share capital of Timely Hero to Luxuriant Expand Global Investment Limited ("**Luxuriant Expand**"), credited as fully paid up, at the direction of Hua Xia; and (ii) the allotment and issue of a total of 100 shares of US$1 each in the share capital of Luxuriant Expand, all credited as fully paid up, to Hua Xia in consideration of its receipt of 1 share in Timely Hero at the direction of Hua Xia. Details of the reorganisation were set out in the paragraph headed "The Reorganisation" in the section headed "Corporate history, development and Reorganisation" in the prospectus dated 30 September 2013.

(d) Translation reserve

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations.

(e) Statutory reserve

As stipulated by the relevant People's Republic of China ("**PRC**") laws and regulations, the subsidiaries of the Company establishing in the PRC shall set aside 10% of its net profit after taxation for the statutory surplus reserve fund (except where the reserve balances has reached 50% of the subsidiaries' paid up capital). The reserve fund can only be used, upon approval by the Board of Directors and by the relevant authority, to offset accumulated losses or increase capital.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2015

1. GENERAL INFORMATION

The Company was incorporated as an exempted Company with limited liabilities in the Cayman Islands. The address of the registered office and principal place of business of the Company are disclosed in the corporate information of the annual report.

The principal activity of the Company is investment holdings. The Group is principally engaged in pharmaceutical wholesale and distribution and pharmaceutical retail chain business as in the PRC.

The Company's shares have been listed on the Main Board of the Stock Exchange since 11 October 2013. The Company's immediate holding company is Greatly Wealth Global Group Limited ("**Global Wealth**"), a company incorporated in British Virgin Islands. Greatly Wealth is a directly wholly-owned subsidiary of Hua Xia, a company incorporated in Cayman Islands on 28 May 2001 as an exempted company with Limited Liability, of which are listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange and it is the ultimate holding company of the Company.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as functional currency of the Company, and the functional currency of the most of the subsidiaries in Renminbi ("**RMB**"). The Board of Directors considered that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange. The consolidated financial statements are presented in thousands of units of HK$ (HK$'000), unless otherwise stated.

2. REORGANISATION

In the preparation for the listing of the Company's shares on the Main Board of the Stock Exchange, the Group underwent the reorganisation (the "**Reorganisation**"), as a result of which the Company became the holding company of the subsidiaries comprising the Group. The Reorganisation included the following principal step:

(a) incorporation of Luxuriant Expand on 10 April 2012 and allotment and issue of 100 ordinary shares of Luxuriant Expand to Hua Xia at par on 4 July 2012;

(b) incorporation of the Company on 9 July 2012 in the Cayman Islands and transfer of the incorporation share from Codan Trust Company (Cayman) Limited to Greatly Wealth at nil consideration;

(c) acquisition of 1 ordinary share, representing the entire issued share capital in Timely Hero, by Luxuriant Expand from Hua Xia on 3 September 2013 in consideration of the allotment and issue of 200 shares of US$1 each in Luxuriant Expand, all credited as fully paid up, to Hua Xia;

(d) capitalisation of the outstanding amount of HK$866,810,761 due from Timely Hero to Hua Xia on 3 September 2013 in consideration of (i) the allotment and issue of 1 share of US$1 in the share capital of Timely Hero to Luxuriant Expand, credited as fully paid up, at the direction of Hua Xia; and (ii) the allotment and issue of a total of 100 shares of US$1 each in the share capital of Luxuriant Expand, all credited as fully paid up, to Hua Xia in consideration of its receipt of 1 share in Timely Hero at the direction of Hua Xia; and

(e) acquisition of 300 shares in Luxuriant Expand, representing its entire issued share capital by the Company from Hua Xia on 3 September 2013 in consideration of (i) the allotment and issue of 648,405,299 shares, all credited as fully paid up, to Greatly Wealth at the direction of Hua Xia and the crediting as fully paid at par of the incorporation share registered in the name of Greatly Wealth; and (ii) the allotment and issue of 100 shares of US$1 each in the share capital of Greatly Wealth, all credited as fully paid up, to Hua Xia in consideration of its receipt of 648,405,299 shares from the Company at the direction of Hua Xia.

Upon the completion of the Reorganisation on 3 September 2013, the Company become the holding company of the companies now comprising the Group.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standards, amendments and interpretations ("**new HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), which are effective for the Group's financial year beginning on 1 April 2014.

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

Amendments to HKFRS 10, HKFRS 12 and HKAS 27 *Investment Entities*

The amendments to HKFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with professional investment management services;

- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and

- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to HKFRS 12 and HKAS 27 to introduce new disclosure requirements for investment entities.

Amendments to HKAS 32 *Offsetting Financial Assets and Financial Liabilities*

The amendments to HKAS 32 clarify existing application issues relating to the offset of financial assets and financial liabilities requirements. Specifically, the amendments clarify the meaning of "currently has a legally enforceable right of set-off" and "simultaneous realisation and settlement".

Amendments to HKAS 36 *Recoverable Amount Disclosures for Non-Financial Assets*

The amendments to HKAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit ("**CGU**") to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements regarding the fair value hierarchy, key assumptions and valuation techniques used when the recoverable amount of an asset or CGU was determined based on its fair value less costs of disposal.

Amendments to HKAS 39 *Novation of Derivatives and Continuation of Hedge Accounting*

The amendments to HKAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative hedging instrument arising from the novation should be included in the assessment of hedge effectiveness.

HK (IFRIC) – Int 21 *Levies*

HK (IFRIC) – Int 21 *Levies* addresses the issue of when to recognise a liability to pay a levy. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

The application of the above new and revised HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle[2]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle[1]
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle[4]
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory Effective Date of HKFRS 9 and Transition Disclosure[6]
HKFRS 9	Financial Instruments[6]
HKFRS 10, HKFRS 12 and HKAS 28 (2011) (Amendments)	Investment Entities: Applying the Consolidation Exception[4]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operation[4]
HKFRS 14	Regulatory Deferral Accounts[3]
HKFRS 15	Revenue from Contracts with Customers[5]
HKAS 1 (Amendments)	Disclosure Initiative[4]
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation[4]
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants[4]
HKAS 19 (2011) (Amendments)	Defined Benefit Plans: Employee Contribution[1]
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements[4]

1 Effective for annual periods beginning on or after 1 July 2014
2 Effective for annual periods beginning on or after 1 July 2014, with limited exceptions
3 Effective for first annual HKFRS financial statements beginning on or 1 January 2016
4 Effective for annual periods beginning on or after 1 January 2016
5 Effective for annual periods beginning on or after 1 January 2017
6 Effective for annual periods beginning on or after 1 January 2018

Annual Improvements to HKFRSs 2010-2012 Cycle

The Annual Improvements to HKFRSs 2010-2012 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to HKFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to HKFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of HKFRS 9 or HKAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to HKFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to HKFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of HKFRS 13 clarify that the issue of HKFRS 13 and consequential amendments to HKAS 39 and HKFRS 9 did not remove the ability to measure short term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to HKAS 16 and HKAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to HKAS 24 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2011-2013 Cycle

The Annual Improvements to HKFRSs 2011-2013 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to HKFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, HKAS 39 or HKFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within HKAS 32.

The amendments to HKAS 40 clarify that HKAS 40 and HKFRS 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

(a) the property meets the definition of investment property in terms of HKAS 40; and

(b) the transaction meets the definition of a business combination under HKFRS 3.

The Directors do not anticipate that the application of these amendments will have a material effect on the Group's consolidated financial statements.

Annual Improvements to HKFRSs 2012-2014 Cycle

The Annual Improvements to HKFRSs 2012-2014 Cycle include a number of amendments to various HKFRSs, which are summarised below.

The amendments to HKFRS 5 introduce specific guidance in HKFRS 5 for when an entity reclassifies an asset (or disposal group) from held for sale to held for distribution to owners (or vice versa), or when held-for-distribution accounting is discontinued. The amendments apply prospectively.

The amendments to HKFRS 7 provide additional guidance to clarify whether a servicing contract is continuing involvement in a transferred asset for the purpose of the disclosures required in relation to transferred assets and clarify that the offsetting disclosures (introduced in the amendments to HKFRS 7 Disclosure – Offsetting Financial Assets and Financial Liabilities issued in December 2011 and effective for periods beginning on or after 1 January 2013) are not explicitly required for all interim periods. However, the disclosures may need to be included in condensed interim financial statements to comply with HKAS 34 Interim Financial Reporting.

The amendments to HKAS 19 clarify that the high quality corporate bonds used to estimate the discount rate for post-employment benefits should be issued in the same currency as the benefits to be paid. These amendments would result in the depth of the market for high quality corporate bonds being assessed at currency level. The amendments apply from the beginning of the earliest comparative period presented in the financial statements in which the amendments are first applied. Any initial adjustment arising should be recognised in retained earnings at the beginning of that period.

The amendments to HKAS 34 clarify the requirements relating to information required by HKAS 34 that is presented elsewhere within the interim financial report but outside the interim financial statements. The amendments require that such information be incorporated by way of a cross reference from the interim financial statements to the other part of the interim financial report that is available to users on the same terms and at the same time as the interim financial statements.

The Directors do not anticipate that the application of these will have a material effect on the Group's consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was amended in 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of HKFRS 9 are described below:

- All recognised financial assets that are within the scope of HKAS 39 *Financial Instruments: Recognition and Measurement* to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent reporting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods. In addition, under HKFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, HKFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value of financial liabilities attributable to changes in the financial liabilities' credit risk are not subsequently reclassified to profit or loss. Under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was presented in profit or loss.

The Directors anticipate that the adoption of HKFRS 9 in the future may have an impact on the amounts reported in respect of the Group's financial assets and financial liabilities. Regarding the Group's financial assets, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

Amendments to HKFRS 10, HKFRS 12 and HKAS 28 (2011) *Investment Entities: Applying the Consolidation Exception*

The narrow-scope amendments to HKFRS 10, HKFRS 12 and HKAS 28 introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

The Directors do not anticipate that the application of these amendments will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

Amendments to HKFRS 10:

- An exception from the general requirement of full gain or loss recognition has been introduced into HKFRS 10 for the loss control of a subsidiary that does not contain a business in a transaction with an associate or a joint venture that is accounted for using the equity method.

- New guidance has been introduced requiring that gains or losses resulting from those transactions are recognised in the parent's profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, gains and losses resulting from the remeasurement at fair value of investments retained in any former subsidiary that has become an associate or a joint venture that is accounted for using the equity method are recognised in the former parent's profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

Amendments to HKAS 28:

– The requirements on gains and losses resulting from transactions between an entity and its associate or joint venture have been amended to relate only to assets that do not constitute a business.

– A new requirement has been introduced that gains or losses from downstream transactions involving assets that constitute a business between an entity and its associate or joint venture must be recognised in full in the investor's financial statements.

– A requirement has been added that an entity needs to consider whether assets that are sold or contributed in separate transactions constitute a business and should be accounted for as a single transaction.

The Directors do not anticipate that the application of these amendments to HKFRS 10 and HKAS 28 will have a material impact on the Group's consolidated financial statements.

Amendments to HKFRS 11 *Accounting for Acquisition of Interests in Joint Operation*

HKFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendments add new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions. The Directors do not anticipate that the application of the amendments to HKFRS 11 will have a significant impact on the Group's consolidated financial statements.

HKFRS 14 *Regulatory Deferral Accounts*

HKFRS 14 permits first-time adopters to continue to recognise amounts related to rate regulation in accordance with their previous Generally Accepted Accounting Principles ("**GAAP**") requirements when they adopt HKFRS. However, to enhance comparability with entities that already apply HKFRS and do not recognise such amounts, the standard requires that the effect of rate regulation must be presented separately from other items. An entity that already presents HKFRS financial statements is not eligible to apply the standard. The directors do not anticipate that the application of HKFRS 14 will have a significant impact on the Group's consolidated financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

The core principle of HKFRS 15 is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements.

HKFRS 15 is effective for annual periods beginning on or after 1 January 2017 with earlier application permitted.

Amendments to HKAS 1 *Disclosure Initiative*

The amendments to HKAS 1 are designed to further encourage companies to apply professional judgement in determining what information to disclose in their financial statements. For example, the amendments make clear that materiality applies to the whole of financial statements and that the inclusion of immaterial information can inhibit the usefulness of financial disclosures. Furthermore, the amendments clarify that companies should use professional judgement in determining where and in what order information is presented in the financial disclosures.

The amendments can be applied immediately and become mandatory for annual periods beginning on or after 1 January 2016.

Amendments to HKAS 16 and HKAS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*

HKAS 16 and HKAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The amendments clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

Amendments to HKAS 19 (2011) *Defined Benefit Plans: Employee Contributions*

The amendments to HKAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The Directors do not anticipate that the application of these amendments to HKAS 19 will have a significant impact on the Group's consolidated financial statements as the Group does not have any defined benefit plans.

Amendments to HKAS 27 *Equity Method in Separate Financial Statements*

The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. The amendments are effective for annual periods beginning on or after 1 January 2016 with earlier application permitted.

The Group is in the process of assessing the potential impact of the above new HKFRSs upon initial application but is not yet in a position to state whether the above new HKFRSs will have a significant impact on the Group's and the Company's results of operations and financial position.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements have been prepared in accordance with all applicable HKFRSs, which collective term includes all applicable individual HKFRSs, HKASs and Interpretations issued by the HKICPA and accounting principles generally accepted in Hong Kong. These consolidated 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 Rules") and by the Hong Kong Companies Ordinance.

Basis of preparation

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for certain financial assets (including derivative financial instruments) and investment properties that are measured at fair value. Historical cost is generally based in the fair value of the consideration of given in exchange for assets.

The Group has consistently applied its accounting polices to all the years presented, unless otherwise stated, in the preparation of the consolidated financial statements.

5. OPERATING SEGMENT

Information reported internally to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided. The Group organised into two operating divisions: (a) pharmaceutical wholesale and distribution business and (b) pharmaceutical retail chain business in the PRC. These divisions are the basis on which the Group reports its segment information.

Segment revenue and results

For the year ended 31 March 2015

	Pharmaceutical wholesale and distribution business *HK$'000*	Pharmaceutical retail chain business *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover				
External sales	**1,346,925**	**220,762**	**–**	**1,567,687**
Inter-segment sales	**51,384**	**38,613**	**(89,997)**	**–**
Total turnover	**1,398,309**	**259,375**	**(89,997)**	**1,567,687**
Inter-segment sales are charged at arm's length				
Results				
Segment results	**(757,862)**	**5,799**	**–**	**(752,063)**
Unallocated other revenue				**1**
Unallocated other income				**–**
Unallocated corporate expenses				**(4,449)**
Loss from operations				**(756,511)**
Finance costs				**(8,819)**
Loss before taxation				**(765,330)**
Taxation				**(7,950)**
Loss for the year				**(773,280)**

Segment revenue and results

For the year ended 31 March 2014

	Pharmaceutical wholesale and distribution business *HK$'000*	Pharmaceutical retail chain business *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Turnover				
External sales	1,858,355	238,100	–	2,096,455
Inter-segment sales	56,861	–	(56,861)	–
Total turnover	1,915,216	238,100	(56,861)	2,096,455
Inter-segment sales are charged at arm's length				
Results				
Segment results	68,198	27,730	–	95,928
Unallocated other revenue				1
Unallocated other income				–
Unallocated corporate expenses				(15,733)
Profit from operations				80,196
Finance costs				(6,015)
Profit before taxation				74,181
Taxation				(25,113)
Profit for the year				49,068

Segment assets and liabilities

At 31 March 2015

	Pharmaceutical wholesale and distribution business *HK$'000*	**Pharmaceutical retail chain business** *HK$'000*	**Consolidated** *HK$'000*
Consolidated statement of financial position			
Assets			
Segment assets	**502,453**	**140,347**	**642,800**
Unallocated corporate assets			**12,540**
Consolidated total assets			**655,340**
Liabilities			
Segment liabilities	**313,177**	**53,321**	**366,498**
Unallocated corporate liabilities			**5,798**
Consolidated total liabilities			**372,296**

Segment assets and liabilities

At 31 March 2014

	Pharmaceutical wholesale and distribution business *HK$'000*	Pharmaceutical retail chain business *HK$'000*	Consolidated *HK$'000*
Consolidated statement of financial position			
Assets			
Segment assets	1,307,950	115,840	1,423,790
Unallocated corporate assets			8,929
Consolidated total assets			1,432,719
Liabilities			
Segment liabilities	341,356	39,030	380,386
Unallocated corporate liabilities			6,610
Consolidated total liabilities			386,996

Other segment information

For the year ended 31 March 2015

	Pharmaceutical wholesale and distribution business *HK$'000*	**Pharmaceutical retail chain business** *HK$'000*	**Unallocated** *HK$'000*	**Consolidated** *HK$'000*
Other information				
Capital expenditure	**4,075**	**11,061**	**6**	**15,142**
Depreciation	**2,030**	**3,042**	**13**	**5,085**
Amortisation of prepaid lease payments	**–**	**188**	**–**	**188**
Impairment loss on goodwill	**785,169**	**–**	**–**	**785,169**
Reversal of impairment loss recognised in respect of trade and other receivables	**130**	**–**	**–**	**130**
Loss on disposal of property, plant and equipment	**40**	**40**	**–**	**80**
Provision for impairment loss of trade and other receivables	**2,123**	**1,838**	**–**	**3,961**
Change in fair value of investment properties	**–**	**252**	**–**	**252**

For the year ended 31 March 2014

	Pharmaceutical wholesale and distribution business *HK$'000*	Pharmaceutical retail chain business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Other information				
Capital expenditure	1,854	3,402	7	5,263
Depreciation	1,570	2,070	13	3,653
Amortisation of prepaid lease payments	–	188	–	188
Reversal of impairment loss of trade and other receivables	645	101	–	746
Loss on disposal of property, plant and equipment	26	–	–	26
Impairment loss recognised in respect of trade and other receivables	499	19	–	518

Note:

Capital expenditure consists of additions to property, plant and equipment.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 4. Segment results represent the profit generated by each segment without allocation of finance costs and taxation. Unallocated corporate expenses mainly include directors' remuneration and other central administration costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than goodwill and unallocated corporate assets. Unallocated corporate assets mainly include cash and cash equivalents of the central administration companies.

- all liabilities are allocated to reportable segments other than unallocated corporate liabilities. Unallocated corporate liabilities mainly include the amount due to ultimate holding company, accruals and other payables of the central administration companies.

Geographical information

The Group operates in two principal areas – pharmaceutical wholesale and distribution business and pharmaceutical retail chain business operates in the PRC and administrative activity operates in Hong Kong.

The Group's revenue is solely generated from external customers in the PRC.

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

	Carrying amount of non-current assets	
	2015	2014
	HK$'000	*HK$'000*
Hong Kong	**39**	47
PRC	**37,131**	810,858
	37,170	810,905

Information about major customers

For the year ended 31 March 2015 and 2014, no single customers contributed 10% or more to the Group's revenue.

Revenue from major products

The Group's revenue from its major products were stated in Note 6 to the consolidated financial statements.

6. TURNOVER

The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts. The turnover is as follows:

	2015	2014
	HK$'000	*HK$'000*
Retail of pharmaceutical and related products	**220,762**	238,100
Wholesale and distribution of pharmaceutical and related products	**1,346,925**	1,858,355
	1,567,687	2,096,455

7. OTHER REVENUE

	2015	2014
	HK$'000	*HK$'000*
Interest income on bank deposits	**1,131**	695
Realised gain on financial assets at fair value through profit or loss	**–**	44
Rental income	**2,511**	2,373
Exhibition income	**1**	2,816
Sundry income	**2,736**	1,615
	6,379	7,543

8. (LOSS)/PROFIT FROM OPERATIONS

The Group's (loss)/profit from operations is arrived at after charging:

	2015	2014
	HK$'000	*HK$'000*
Staff costs:		
Employee benefits expense (including directors' emoluments):		
Salaries and allowance	**63,470**	54,542
Pension scheme contributions	**7,808**	6,128
	71,278	60,670
Other items:		
Depreciation of owned property, plant and equipment	**5,085**	3,653
Amortisation of prepaid lease payments	**188**	188
Auditors' remuneration		
– audit services	**850**	850
– Non-audit services	**–**	2,169
Cost of inventories sold	**1,407,842**	1,906,991
Impairment loss on goodwill	**785,169**	–
Loss on disposal of property, plant and equipment	**80**	26
Provision for impairment loss of trade and other receivables	**3,961**	518
Operating lease rentals in respect of land and building	**25,437**	18,380

For the years ended 31 March 2015 and 2014, the cost of inventories recognised as cost of sales were approximately HK$1,407,842,000 and HK$1,906,991,000 respectively.

9. FINANCE COSTS

	2015	2014
	HK$'000	*HK$'000*
Interest on:		
– Bank borrowings wholly repayable within five years	**8,819**	6,015

10. TAXATION

	2015	2014
	HK$'000	*HK$'000*
Current tax for the year		
– PRC enterprise income tax	**7,828**	22,389
– PRC withholding tax paid	**–**	2,383
	7,828	24,772
Under provision in prior year		
– PRC enterprise income tax	**122**	341
	7,950	25,113

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operate.

No provision for Hong Kong profits tax has been made during the year as the Group has no assessable profits arising in Hong Kong (2014: Nil).

The National People's Congress which was concluded on 16 March 2007, the PRC Enterprise Income Tax Law was approved and became effective from 1 January 2008. The PRC Enterprise Income Tax Law introduces a wide range of changes which include, but are not limited to, the unification of the income tax rates for domestic-invested and foreign-invested enterprises at 25%.

According to the PRC Enterprise Income Tax Law, starting from 1 January 2008, 10% withholding income tax will be imposed on dividend relating to profits earned by the companies established in the PRC in the calendar year 2008 onwards to their foreign shareholders. For investors incorporated in Hong Kong which hold at least 25% of equity interest of those PRC companies, a preferential rate of 5% will be applied. The Group has applied the preferential rate of 5% as the Group's subsidiaries in the PRC are directly held by an investment holding company incorporated in Hong Kong. No deferred tax has been provided for in respect of the temporary differences attributable to such profits as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

11. (LOSS)/EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2015	2014
	HK$'000	*HK$'000*
(Loss)/earnings		
(Loss)/profit attributable to owners of the Company for the purpose of basic (loss)/earnings per share calculation	**(772,949)**	48,920

	2015	2014
Number of shares		
Weighted average number of shares for the purpose of basic (loss)/earnings per share	**648,405,300**	648,405,300

The calculation of basic (loss)/earnings per share is based on the loss attributable to owners of the Company for the year ended 31 March 2014 was on the assumptions that the proposed 648,405,300 ordinary shares on the Stock Exchange as decribed in the sub-section headed "Written resolutions of the sole shareholder dated 24 September 2013" under the section headed "Statutory and General Information" to the prospectus of the Company dated 30 September 2013, as if the shares were outstanding throughout the year ended 31 March 2014.

Diluted earnings per share is the same as the basic earnings per share as there were no potential diluted ordinary share in existence for the years ended 31 March 2015 and 2014.

12. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2015 (2014: Nil).

13. GOODWILL

	2015	2014
	HK$'000	*HK$'000*
Cost		
As at 1 April	**785,521**	785,521
Additional amount recognised from business combinations occurring during the year	**1,852**	–
Exchange realignment	**9**	–
As at 31 March	**787,382**	785,521
Accumulated impairment losses		
As at 1 April	**–**	–
Impairment losses recognised in the year	**785,169**	–
As at 31 March	**785,169**	–
Carrying value		
As at 31 March	**2,213**	785,521

14. TRADE AND OTHER RECEIVABLES AND DEPOSITS

	2015	2014
	HK$'000	*HK$'000*
Trade receivables	**282,077**	271,763
Bills receivables	**6,229**	7,748
Prepayments and deposit paid	**121,230**	127,116
Prepaid lease payments	**188**	188
Other receivables	**19,988**	22,321
	429,712	429,136
Less: Impairment loss recognised in respect of other receivables	**(1,026)**	(1,152)
	428,686	427,984

Payment terms with customers from the pharmaceutical wholesale and distribution business and pharmaceutical retail chain business are mainly on credit. Invoices are normally payable from 30 to 90 days of issuance. The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**213,845**	223,387
91 – 180 days	**50,607**	27,562
181 – 365 days	**17,593**	15,439
Over 365 days	**5,222**	6,711
	287,267	273,099
Less: Impairment loss recognised in respect of trade receivables	**(5,190)**	(1,336)
	282,077	271,763

15. TRADE AND OTHER PAYABLES

	2015	2014
	HK$'000	*HK$'000*
Trade payables	**168,680**	192,298
Bills payables	**18,697**	36,070
Accruals and other payables	**37,419**	31,763
Receipt in advance	**17,321**	22,949
	242,117	283,080

The following is an aged analysis of trade payables at the end of the reporting period:

	2015	2014
	HK$'000	*HK$'000*
Within 90 days	**115,166**	131,694
91 – 180 days	**21,154**	15,492
181 – 365 days	**12,250**	18,504
Over 365 days	**20,110**	26,608
	168,680	192,298

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 11 October 2013, the Company was spun-off from Hua Xia Healthcare Holdings Limited ("**Hua Xia**") and listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of introduction.

The Group continues to focus on pharmaceutical wholesales and distribution business and pharmaceutical retail chain business in the People's Republic of China (the "**PRC**").

Turnover

Looking back at 2014/15, the Group's revenue experienced a decrease. The Group recorded revenue of approximately HK$1,567.687 million (2014: approximately HK$2,096.455 million) for the year ended 31 March 2015, accounting for a decrease of approximately 25.22% over last year. The gross profit margin of the Group was approximately 10.20%, which maintained at a similar level as in 2014.

Pharmaceutical wholesale and distribution business

The Group has a large and broad customer base through our distribution network in Fujian Province in the PRC. The Group distributes pharmaceutical products to our customers located principally in the Fujian Province and also sells pharmaceutical products in neighboring provinces such as Guangdong, Hunan, Hubei, Jiangxi, Aunhui and Zhejiang. Our customers can be categorized into three types namely hospitals and healthcare institutions, distributor customers and end customers such as companies operating pharmaceutical retail chain stores, independent pharmacies, and outpatient departments of community hospitals, healthcare service stations and clinics. The turnover generated from the pharmaceutical wholesale and distribution business amounted to approximately HK$1,346.925 million (2014: approximately HK$1,858.355 million), representing approximately 27.52% of decrease over 2014 and accounted for approximately 85.92% of the Group's turnover. The decrease was mainly attributable to the reduction in sales to distributor customers due to the stringent regulations after the promulgation and implementation of the New GSP.

Pharmaceutical retail chain business

The Group operates pharmaceutical retail business through Fujian Huihao Sihai Pharmaceutical Chain Company Limited# (福建惠好四海醫藥連鎖有限責任公司) which was accounted for as one of our subsidiaries. The Group offers a wide variety of products in our retail pharmacies including prescription medicines, over-the-counter medicines, healthcare food products, traditional Chinese medicines, medical supplies and medical devices. As at 31 March 2015, 119 (2014: 111) retail pharmacies were operated. The Group seeks to introduce new products and services to meet changing customer preferences and to differentiate the Group from our competitors. The turnover generated from pharmaceutical retail chain business amounted to approximately HK$220.762 million (2014: approximately HK$238.100 million), representing approximately 7.28% of decrease over 2014.

Because the effect of the implementation of the New GSP is uncertain, only 8 new retail pharmacies are being opened in Fujian Province in the PRC. We would closely monitor the further development of the new GSP and open our retail pharmacies steadily.

Other revenue

Other revenue, primarily including sundry income, bank interest income, exhibition income and rental income amounted to approximately HK$6.379 million (2014: approximately HK$7.543 million) for the year ended 31 March 2015.

Selling and distribution expenses

Selling and distribution expenses primarily consisted of salaries paid to sales and marketing personnel and rental expenses of retail pharmacies. For the year ended 31 March 2015, selling and distribution expenses amounted to approximately HK$90.590 million (2014: approximately HK$70.524 million), representing an increase of approximately 28.45% over the last year. The increase in the expenses was due to the increase in the number of subsidiaries and retail pharmacies during the year.

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Administrative expenses

Administrative expenses for the year ended 31 March 2015 amounted to approximately HK$46.854 million (2014: approximately HK$47.033 million), representing a slightly decrease of approximately 0.38% over last year. However, by excluding the expenses incurred for the listing of Company's shares on the Main Board of the Stock Exchange last year, the administrative expenses incurred last year was approximately HK$42.278 million. The administrative expenses for the year ended 31 March 2015 represented an increase of approximately 10.82% over the last year. More administrative expenses incurred mainly due to the expansion of the business scale.

Finance costs

For the year ended 31 March 2015, the finance costs of the Group were approximately HK$8.819 million (2014: approximately HK$6.015 million), representing a significant increase of approximately 46.62% over the last year. The increase was mainly due to increased average outstanding amounts of bank loans during the year.

Loss attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company of approximately HK$772.949 million (2014: profit of approximately HK$48.920 million) during the year ended 31 March 2015.

The net loss was mainly attributable to the impairment loss on the goodwill of approximately HK$785.169 million.

In August 2014, Fujian Food and Drug Administration# (福建省食品藥品監督管理局) announced the 10 companies which are permitted to conduct the business in the distribution to public hospitals and public healthcare institutions after 2016, in which the operating subsidiary of the Company, namely (福建省福州市惠好藥業有限公司) Fujian Province Fuzhou City Huihao Pharmaceutical Co. Limited# is on the list. Notwithstanding this recognition as a qualified participant in the distribution industry is encouraging, the effect of the implementation of the New GSP and any future policy development on the hospital distribution business of the Group remains uncertain. Having taken into account the financial performance as of June 2014, the Board reviewed again the potential effects of the New GSP on the distribution business in late July 2014 and prudently lowered the forecasted performance in sales to distributor customers, therefore, it triggers impairment loss on the goodwill. The carrying amount of goodwill was tested for impairment as at 30 June 2014. The impairment test compared the discounted cash flow of the cash-generating units (CGUs) to the carrying amounts of the CGUs. The recoverable amounts of the CGUs were significantly less than the carrying value of goodwill, therefore, an impairment loss on the goodwill of approximately HK785.169 million was made in the year under review.

OUTLOOK AND FUTURE PROSPECTUS

The management of the Group has realised that the New GSP is a challenge as well as a potential opportunities for the Group to continue to address the needs of the market and the public through refined services and quality products.

It is a challenge as well as a potential opportunities for the group because the promulgation and implementation of the new Good Supply Practice in Fujian, the PRC in 2014 imposes stringent regulations on pharmaceutical distributor operation which caused decrease in pharmaceutical wholesales business of the group on the ground that majority of the existing distributor customers of the group who are not qualified enterprises under the new Good Supply Practice were walked out from the sector. Also, due to the constraint of the existing direct sale distribution facilities of the group, it is unable to cater for all the market shares on distribution sale business which are covered by those existing distributor customers. Nevertheless, it is also a potential opportunities for the group because in August 2014, Fujian Food and Drug Administration#（福建省食品藥品監督管理局）announced that 10 companies which are permitted to conduct the business in the distribution to public hospitals and public healthcare institutions after 2016, in which the operating subsidiary of the Company, namely Fujian Province Funzhou City Huihao Pharmaceutical Co. Limited#（福建省福州市惠好藥業有限公司）is on the list.

The pharmaceutical market consolidation has continued at national and local level providing opportunities for companies with large scale operations like the Group. At the same time, competition among the industry is keen. Our group would actively look for further development opportunities made available by the continued healthcare reform arisen from the New GSP. We will also continue further strengthen our drug delivery to hospitals and wholesales segments business and expansion of retails pharmacies in the year 2015/16.

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LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and cash equivalents of approximately HK$43.029 million as at 31 March 2015 (2014: approximately HK$43.638 million). The Group recorded total current assets of approximately HK$618.170 million as at 31 March 2015 (2014: approximately HK$621.814 million) and total current liabilities of approximately HK$372.296 million as at 31 March 2015 (2014: approximately HK$386.996 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.660 as at 31 March 2015 (2014: approximately 1.607).

As at 31 March 2015, the Group's gearing ratio was approximately 28.65% based on outstanding debts (comprising bank borrowings) less cash and cash equivalents over total equity (including all capital and reserves attributable to owners of the Company) (2014: approximately 4.25%).

FOREIGN EXCHANGE RISK

Since almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimize exposure to foreign exchange risk, the directors consider that the Group's risk exposure to currency fluctuations to be minimal.

Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

CHARGES ON GROUP'S ASSETS

As at 31 March 2015, the Group had bank borrowings outstanding balances and bill payables of approximately HK$121.454 million and HK$18.697 million respectively. The Group's pledged bank deposits, prepaid lease payments and investment properties of approximately HK$12.970 million, HK$4.530 million and HK$8.093 million respectively, were pledged as collateral to secure banking facilities granted to the Group.

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CAPITAL STRUCTURE

As at 31 March 2015 and 2014, the total issued share capital of the Company was approximately HK$6.484 million representing 648,405,300 ordinary shares.

ACQUISITION OF SUBSIDIARIES

On 9 April 2014, Fujian Province Fuzhou City Huihao Pharmaceutical Co. Limited# ("**Fuzhou Huihao**"), a wholly owned subsidiary (the "**Purchaser**") and Hui Hao Yi Yao (Xiamen) Company Limited# (formerly name as Xiamen Hui Sheng Yi Yao Company Limited) ("**Xiamen Huihao**"), a PRC pharmaceutical wholesale and distribution corporation, entered into an arrangement agreement in relation to the conditional acquisition 60% of net assets value of Xiamen Huihao (the "**Proposed Acquisition**") by the Purchaser. The consideration of acquisition is approximately RMB4.945 million (equivalent to approximately HK$6.204 million). Upon completion of the Proposed Acquisition on 21 April 2014, Xiamen Huihao became a 60% owned subsidiary of the Purchaser.

In June 2014, Fujian Province Fuzhou City Huihao Pharmaceutical Co. Limited# ("**Fuzhou Huihao**"), a wholly owned subsidiary (the "**Purchaser**") and Hui Hao Yi Yao (Nanping) Company Limited (formerly name as Fu Jian Sheng Heng Chang Yao Ye Company Limited) ("**Nanping Huihao**"), a PRC pharmaceutical wholesale and distribution corporation, entered into an arrangement agreement in relation to the conditional acquisition 60% of net assets value of Nanping Huihao (the "**Proposed Acquisition**") by the Purchaser. The consideration of acquisition is approximately RMB7.5 million (equivalent to approximately HK$9.452 million). Upon completion of the Proposed Acquisition on 15 June 2014, Nanping Huihao became a 60% owned subsidiary of the Purchaser.

After the acquisitions, the Company had engaged an independent qualified professional valuer to measure the fair value of the property, plant and equipment on the completion date. All the goodwill arising from the above acquisitions has been reflected in the Company's financial statement ended 31 March 2015.

CONTINGENT LIABILITIES

As at 31 March 2015 and 2014, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors to be pending or threatened against any member of the Group.

CAPITAL COMMITMENTS

As at 31 March 2015 and 2014, the Group had no material capital commitment.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2015, the Group had 1,046 (2014: 1,176) full time employees (including directors) as shown in the following table:

Location	**Number of Staff**
Hong Kong	6
PRC	1,040

For the year ended 31 March 2015, staff costs (including directors emoluments) amounted to approximately HK$71.278 million (2014: approximately HK$60.670 million). The Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include the contribution to the Mandatory Provident Fund Scheme, discretionary bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2015, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

SUBSEQUENT EVENTS

On 12 May 2015, Hui Hao (HK) Group Limited ("**Huihao Hong Kong** "), Fuzhou Ren An Medical Technology Limited# (福州仁安醫藥科技有限公司) ("**Ren An**") and Fujian Province Fuzhou City Huihao Pharmaceutical Co., Ltd. ("**Fuzhou Huihao**") entered into the Joint Venture Agreement, pursuant to which Ren An agreed to make a capital contribution of approximately RMB26 million to the registered capital and the capital reserve of Fuzhou Huihao. The Capital Increase constituted a deemed disposal of Wanjia's equity interest in the Fuzhou Huihao and resulted that the equity interest of Huihao Hong Kong in Fuzhou Huihao was diluted from 100% to 75% and the Fuzhou Huihao is held as to 75% by Huihao Hong Kong and as to 25% by Ren An.

On 14 May 2015, the Company entered into the Placing Agreement with the Placing Agent pursuant to which the Company has conditionally agreed to place, through the Placing Agent, on a best efforts basis, the Convertible Notes with principal amounts aggregating up to HK$84,292,000 to the Placees at the initial Conversion Price of HK$0.65 per Conversion Share ("**the Placing**"). Based on the initial Conversion Price of HK$0.65 per Conversion Share, a total of 129,680,000 Conversion Shares will be allotted and issued upon exercise of the conversion rights attaching to the Convertible Notes in full. The Placing was completed on 1 June 2015.

CORPORATE GOVERNANCE PRACTICE

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. To the knowledge of the Board, the Company had fully complied with the code provisions in the Corporate Governance Code since the date of listing of the Company's shares on the Stock Exchange on 11 October 2013, except for the following deviation from the code provisions:

The code provision A.2.1 of the CG Code prescribed, among others, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company are not segregated and are exercised by the same individual. Mr. Weng Jiaxing serves as the chairman and chief executive officer. The Board believes that vesting the roles of the Chairman and the chief executive officer in the same person provides consistent and sustainable development of the Group, strong and consistent leadership in the Company's decision making and operational efficiency. However, the Board will review and make appropriate changes when necessary in order to enhance the level of corporate governance.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

As the Company was listed on 11 October 2013, the Company had not yet adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") during the year ended 31 March 2013.

The Company has adopted the Model Code as its model code for securities transactions by Directors. Having made specific inquiries, all the Directors confirmed that they have complied with the Model Code from 11 October 2013, being the date of listing of the Company, up to 31 March 2015.

AUDIT COMMITTEE

The Audit Committee was established on 24 September 2013 with written terms of reference in compliance with Rule 3.2.1 of the Listing Rules and a copy of which is posted on the website of the Company and the Stock Exchange. The Audit Committee's current members include:

Mr. Wong Hon Kit *(Chairman)*
Mr. Liang Yichi
Dr. Liu Yongping

The primary duties of the audit committee include, but are not limited to: (i) to review and monitor the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard; (ii) monitoring integrity of financial statements of the Company and the Company's annual report and accounts, half-year report and, if prepared for publication, quarterly reports; (iii) reviewing the Company's financial controls, internal control and risk management systems; and (iv) reporting to the Board on the matters set out in the code provisions as stated in Appendix 14 to the Listing Rules.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 March 2015 including the accounting principles and practices adopted by the Group and discussed the internal control and financial reporting matters during the review.

REMUNERATION COMMITTEE

The Remuneration Committee was established in 24 September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rule and a copy of which is posted on the website of the Company and the Stock Exchange. The Remuneration Committee's current members include:

Mr. Wong Hon Kit *(Chairman)*
Mr. Chen Yong (resigned on 10 October 2014)
Dr. Liu Yongping
Mr. Yung Ka Chun (appointed on 10 October 2014 and resigned on 20 April 2015)
Ms. Shum Ngai Pan (appointed on 20 April 2015)

The role and function of the Remuneration Committee include, but are not limited to, the determination of the specific remuneration package of all executive directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive directors. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination and Corporate Governance Committee was established in 24 September 2013 with written terms of reference in compliance with paragraph A.5.1 and D.3.1 of Appendix 14 to the Listing Rule and a copy of which is posted on the website of the Company and the Stock Exchange. The Nomination and Corporate Governance Committee's current members include:

Mr. Weng Jiaxing *(Chairman)* (resigned on 21 November 2014)
Mr. Liang Yichi
Mr. Wong Hon Kit
Dr. Liu Yongping

The primary duties of the nomination and corporate governance committee include, but are not limited to: (i) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes; (ii) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of, individuals nominated for directorships; (iii) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Company; and (iv) keeping the effectiveness of the corporate governance and system of internal controls of the Group.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management team and staff for their tireless dedicated that helps fuel the Group's healthy development. In addition, I would also like to thank all our shareholders, business partners and customers for their continuous support. We will continue to devote unwavering efforts to reap promising returns for all parties.

By order of the Board
Wanjia Group Holdings Limited
Chen Jinshan
Executive Director

Hong Kong, 29 June 2015

As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chen Jinshan and Ms. Shum Ngai Pan, and three independent non-executive Directors, namely Mr. Liang Yichi, Mr. Wong Hon Kit and Dr. Liu Yongping.