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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 2016

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2016 is as follows:

- Total revenue was approximately HK$1,321.763 million (2015: approximately HK$1,567.687 million), representing approximately 15.69% of decrease over 2015. The decrease in revenue was mainly attributable to the reduction in sales from the pharmaceutical wholesales and distribution segment due to the implementation of the New GSP.

- Gross profit was approximately HK$146.128 million (2015: approximately HK$159.845 million), representing approximately 8.58% of decrease over 2015.

- The operating profit was approximately HK$4.061 million (2015: loss of approximately HK$756.511 million). Operating loss for last year was mainly due to the impairment loss on the goodwill of approximately HK$785.169 million. If such effect was taken out, the Group's last year profit from operations was approximately HK$28.658 million though the result for this year represented approximately 85.83% decrease as compared to last year.

- Loss for the year attributable to owners of the Company was approximately HK$13.802 million (2015: approximately HK$772.949 million).

- The Group had total cash and cash equivalents of approximately HK$203.500 million as at 31 March 2016 (31 March 2015: approximately HK$43.029 million).

- The board does not recommend the payment of a final dividend for the year ended 31 March 2016 (2015: 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 2016 together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2016

	Notes	**2016** ***HK$'000***	2015 *HK$'000*
Revenue	*5*	**1,321,763**	1,567,687
Cost of sales		**(1,175,635)**	(1,407,842)
Gross profit		**146,128**	159,845
Other revenue	*6*	**5,000**	6,379
Other gain/(loss), net	*7*	**2,530**	(202)
Impairment loss on goodwill		**–**	(785,169)
Loss on disposal of subsidiary		**(772)**	–
Selling and distribution expenses		**(100,466)**	(90,590)
Administrative expenses		**(48,359)**	(46,774)
Profit/(loss) from operations	*8*	**4,061**	(756,511)
Finance costs	*9*	**(16,365)**	(8,819)
Loss before taxation		**(12,304)**	(765,330)
Taxation	*10*	**(1,158)**	(7,950)
Loss for the year		**(13,462)**	(773,280)
Other comprehensive (loss)/income for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**(18,924)**	1,423
Total comprehensive loss for the year		**(32,386)**	(771,857)

	Notes	**2016**	2015
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(13,802)**	(772,949)
Non-controlling interests		**340**	(331)
		(13,462)	(773,280)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(29,935)**	(771,526)
Non-controlling interests		**(2,451)**	(331)
		(32,386)	(771,857)
Loss per share attributable to owners of the Company:			
– Basic *(HK cents per share)*	*12*	**(2.13)**	(119.21)
– Diluted *(HK cents per share)*	*12*	**(2.13)**	(119.21)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2016

	Notes	2016 HK$'000	2015 HK$'000
Non-current assets			
Property, plant and equipment		**18,384**	22,522
Prepaid lease payments		**11,347**	4,342
Investment property		**7,199**	8,093
Goodwill		**342**	2,213
		37,272	37,170
Current assets			
Inventories		**107,578**	124,849
Trade and other receivables and deposits	*13*	**284,171**	428,686
Amounts due from fellow subsidiaries		**8,181**	8,621
Amount due from the immediate holding company		**–**	15
Pledged bank deposits		**6,096**	12,970
Cash and cash equivalents		**203,500**	43,029
		609,526	618,170
Current liabilities			
Trade and other payables	*14*	**233,078**	242,117
Amount due to the ultimate holding company		**485**	4,515
Amounts due to fellow subsidiaries		**10,802**	–
Bank borrowings		**32,396**	121,454
Tax payables		**1,683**	4,210
		278,444	372,296

	2016	2015
	HK$'000	*HK$'000*
Non-current liabilities		
Convertible note	**77,267**	–
Deferred tax liabilities	**563**	–
	77,830	–
Net current assets	**331,082**	245,874
Total assets less current liabilities	**368,354**	283,044
Net assets	**290,524**	283,044
Capital and reserves		
Share capital	**6,484**	6,484
Reserves	**216,260**	267,297
Equity attributable to owners of the Company	**222,744**	273,781
Non-controlling interests	**67,780**	9,263
Total equity	**290,524**	283,044

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2016

	Attributable to owner of the Company										
	Share capital *HK$'000*	**Share premium** *HK$'000*	**Other reserve** *HK$'000*	**Contribution reserve** *HK$'000*	**Translation reserve** *HK$'000*	**Statutory reserve** *HK$'000*	**Convertible note reserve** *HK$'000*	**Retained earnings/ (accumulated losses)** *HK$'000*	**Sub-total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
As at 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 income/(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)	–	–	–
As at 31 March 2015 and 1 April 2015	6,484	(7,653)	(6,483)	866,811	17,361	31,189	–	(633,928)	273,781	9,263	283,044
Loss for the year	–	–	–	–	–	–	–	(13,802)	(13,802)	340	(13,462)
Other comprehensive loss for the year	–	–	–	–	(16,133)	–	–	–	(16,133)	(2,791)	(18,924)
Total comprehensive loss for the year	–	–	–	–	(16,133)	–	–	(13,802)	(29,935)	(2,451)	(32,386)
Deemed disposal of interests in a subsidiary	–	–	(29,208)	–	–	–	–	–	(29,208)	63,409	34,201
Additional interests in a subsidiary	–	–	550	–	–	–	–	–	550	(550)	–
Disposal of subsidiary	–	–	–	–	(139)	–	–	–	(139)	(1,891)	(2,030)
Issue of convertible note	–	–	–	–	–	–	7,695	–	7,695	–	7,695
Transfer to statutory reserve	–	–	–	–	–	724	–	(724)	–	–	–
As at 31 March 2016	**6,484**	**(7,653)**	**(35,141)**	**866,811**	**1,089**	**31,913**	**7,695**	**(648,454)**	**222,744**	**67,780**	**290,524**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2016

1. GENERAL INFORMATION

The Company was incorporated as an exempted Company with limited liabilities in the Cayman Islands. The address of the registered office of the Company is Cricket Square Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at 19/F., New Wing, 101 King's Road, Hong Kong.

The principal activity of the Company is investment holdings. The Group is principally engaged in pharmaceutical wholesale and distribution and pharmaceutical retain 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 ("**Greatly 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 is 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. 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 amendments to HKFRSs issued by the HKICPA:

HKAS 19 (Amendments)	Defined Benefit Plans: Employee Contributions
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2010-2012 Cycle
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2011-2013 Cycle

The adoption of the above amendments to HKFRSs has had no material impact on the Group's financial performance and position.

The Group has not early applied the following new and revised HKFRSs that have been issued but are not yet effective:

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

1 Effective for first annual HKFRS financial statements beginning on or after 1 January 2016
2 Effective for annual periods beginning on or after 1 January 2016
3 Effective for annual periods beginning on or after 1 January 2018
4 Effective for annual periods beginning on or after 1 January 2019
5 Effective for annual periods beginning on or after the date to be determined

Amendments to 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 amendments will have a material impact on the Group's consolidated financial statements.

HKFRS 9 *Financial Instruments*

HKFRS 9 issued in November 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition, and in November 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in July 2014 mainly to include (a) impairment requirements for financial assets and (b) limited amendments to the classification and measurement requirements by introducing a "fair value through other comprehensive income" (FVTOCI) measurement category for certain simple debt instruments.

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.

- In relation to the impairment of financial assets, HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised; and

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in HKAS 39. Under HKFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an "economic relationship". Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2018.

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 amendments to HKFRS 10, HKFRS 12 and HKAS 28 clarify that the exemption from preparing consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity, even if the investment entity measures all its subsidiaries at fair value in accordance with HKFRS 10. The amendments also clarify that the requirement for an investment entity to consolidate a subsidiary providing services related to the former's investment activities applies only to subsidiaries that are not investment entities themselves.

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*

The amendments to HKFRS 10 and HKAS 28 deal with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. Specifically, the amendments state that gains or losses resulting from the loss of 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, 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 of investments retained in any former subsidiary (that has become an associate or a joint venture that is accounted for using the equity method) to fair value 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.

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*

The amendments to HKFRS 11 provide guidance on how to account for the acquisition of a joint operation that constitutes a business as defined in HKFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in HKFRS 3 and other standards (e.g. HKAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by HKFRS 3 and other standards for business combinations.

The amendments to HKFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKFRS 11 will have a material impact on the Group's consolidated financial statements.

HKFRS 14 *Regulatory Deferral Accounts*

HKFRS 14 Regulatory Deferral Accounts, describes regulatory deferral account balances as amounts of expense or income that would not be recognised as assets or liabilities in accordance with other standards, but that qualify to be deferred in accordance with IFRS/HKFRS 14 because the amount is included, or is expected to be included, by the rate regulator in establishing the price(s) that an entity can charge to customers for rate regulated goods or services.

The amendments to HKFRS 14 apply prospectively for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of HKFRS 14 will have a material impact on the Group's consolidated financial statements.

HKFRS 15 *Revenue from Contracts with Customers*

HKFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 Revenue, HKAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the standard introduces a 5-step approach to revenue recognition:

– Step 1: Identify the contract(s) with a customer

– Step 2: Identify the performance obligations in the contract

– Step 3: Determine the transaction price

– Step 4: Allocate the transaction price to the performance obligations in the contract

– Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

The directors anticipate that the application of HKFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of HKFRS 15 until the Group performs a detailed review.

HKFRS 16 *Leases*

HKFRS 16 supersedes HKAS 17 Leases, HK(IFRIC) – Int 4 "Determining whether an Arrangement contain a Lease", HK(SIC) – Int 15 "Operating Lease – Incentives" and HK(SIC) – Int 27 "Evaluating the Substance of Transactions Involving the Legal Form of a Lease". HKFRS 16 eliminates the classification by a lessee of leases as either operating or finance. Instead all leases are treated in a similar way to finance leases in accordance with HKAS 17 "Leases". Under HKFRS 16, leases are recorded on the statement of financial position by recognizing a liability for the present value of its obligation to make future lease payments with an asset (comprised of the amount of lease liability plus certain other amounts) either being disclosed separately in the statement of financial position (within right-of-use assets) or together with property, plant and equipment. The most significant effect of the new requirements will be an increase in recognised lease assets and financial liabilities. There are some exemptions. HKFRS 16 contains options which do not require a lessee to recognise assets and liabilities for (a) short term leases (i.e. lease of 12 months or less, including the effect of any extension options) and (b) leases of low value assets (for example, a lease of a personal computer). HKFRS 16 substantially carries forward the lessor's accounting requirements in HKAS 17.

Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. In classifying a sublease, an intermediate lessor shall classify the sublease as a finance lease or an operating lease as follows:

(a) if the head lease is a short-term lease that the entity, as a lessee, the sublease shall be reclassified as an operating lease; (b) otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset. HKFRS 16 clarifies that a lessee separates lease components and service components of a contract, and applies the lease accounting requirements only to the lease components.

The Company is in the process of making an assessment of the potential impact of application of HKFRS 16, the directors consider that it is not practicable to provide a reasonable estimate of the effect of the adoption of HKFRS 16 until the Company performs a detailed review.

Amendments to HKAS 1 *Disclosure Initiative*

The amendments to HKAS 1 give some guidance on how to apply the concept of materiality in practice.

The amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2016. The directors do not anticipate that the application of these amendments to HKAS 1 will have a material impact on the Group's consolidated financial statements.

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

The amendments to HKAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to HKAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

(a) when the intangible asset is expressed as a measure of revenue; or

(b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

The directors do not anticipate that the application of the amendments to HKAS 16 and HKAS 38 will have a material impact on the Group's consolidated financial statements.

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

The amendments allow an entity to account for investments in subsidiaries, joint ventures and associates in its separate financial statements:

– At cost;

– In accordance with HKFRS 9 Financial Instruments (or HKAS 39 Financial Instruments: Recognition and Measurement for entities that have not yet adopted HKFRS 9); or

– Using the equity method as described in HKAS 28 Investments in Associates and Joint Ventures.

The accounting option must be applied by category of investments.

The amendments also clarify that when a parent ceases to be an investment entity, or becomes an investment entity, it shall account for the change from the date when the change in status occurred.

In addition to the amendments to HKAS 27, there are consequential amendments to HKAS 28 to avoid a potential conflict with HKFRS 10 Consolidated Financial Statements and to HKFRS 1 First time Adoption of Hong Kong Financial Reporting Standards.

The directors do not anticipate that the application of these amendments to HKAS 27 will have a material impact on the Group's consolidated financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities ("**Listing Rules**") on the Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance ("**CO**").

The disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the provisions of the new CO (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 March 2016. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 March 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 March 2015 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

A summary of significant accounting policies followed by the Group in the preparation of the financial statements is set out below:

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, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration of given in exchange for assets.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. 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 2016

	Pharmaceutical wholesale and distribution business *HK$'000*	Pharmaceutical retail chain business *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue				
External sales	**1,083,341**	**238,422**	**–**	**1,321,763**
Inter-segment sales	**37,010**	**28,772**	**(65,782)**	**–**
Total revenue	**1,120,351**	**267,194**	**(65,782)**	**1,321,763**
Inter-segment sales are charged at arm's length				
Results				
Segment results	**12,634**	**(3,514)**	**–**	**9,120**
Unallocated other revenue				**186**
Loss on disposal of a subsidiary				**(772)**
Unallocated corporate expenses				**(4,473)**
Profit from operations				**4,061**
Finance costs				**(16,365)**
Loss before taxation				**(12,304)**
Taxation				**(1,158)**
Loss for the year				**(13,462)**

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*
Revenue				
External sales	1,346,925	220,762	–	1,567,687
Inter-segment sales	51,384	38,613	(89,997)	–
Total revenue	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 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 assets and liabilities

As at 31 March 2016

	Pharmaceutical wholesale and distribution business *HK$'000*	**Pharmaceutical retail chain business** *HK$'000*	**Consolidated** *HK$'000*
Consolidated statement of financial position			
Assets			
Segment assets	**473,700**	**148,952**	**622,652**
Unallocated corporate assets			**24,146**
Consolidated total assets			**646,798**
Liabilities			
Segment liabilities	**204,516**	**70,843**	**275,359**
Convertible note			**77,267**
Deferred tax liabilities			**563**
Unallocated corporate liabilities			**3,085**
Consolidated total liabilities			**356,274**

As 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

Other segment information

For the year ended 31 March 2016

	Pharmaceutical wholesale and distribution business *HK$'000*	Pharmaceutical retail chain business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Other information				
Capital expenditure*	**245**	**11,646**	**–**	**11,891**
Depreciation	**1,847**	**4,601**	**1**	**6,449**
Amortisation of prepaid lease payments	**–**	**365**	**–**	**365**
Loss on disposal of property, plant and equipment	**14**	**323**	**–**	**337**
Impairment loss recognised in respect of trade and other receivables	**519**	**657**	**–**	**1,176**
Reversal of impairment loss recognised in respect of trade and other receivables	**580**	**103**	**–**	**683**
Loss on disposal of a subsidiary	**772**	**–**	**–**	**772**
Change in fair value of investment property	**–**	**490**	**–**	**490**

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
Impairment loss recognised in respect of trade and other receivables	2,123	1,838	–	3,961
Change in fair value of Investment property	–	252	–	252

* *Capital expenditure consists of additions to property, plant and equipment and prepaid lease payments.*

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment results represent the profit or loss generated by each segment without allocation of finance costs, loss on disposal of a subsidiary 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 and office equipment of the central administration companies.

- all liabilities are allocated to reportable segments other than convertible note, deferred tax liabilities and unallocated corporate liabilities. Unallocated corporate liabilities mainly include the amount due to the 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 amounts of non-current assets analysed by the geographical area in which the assets are located:

	Carrying amounts of non-current assets	
	2016	2015
	HK$'000	*HK$'000*
Hong Kong	**24**	39
PRC	**37,248**	37,131
	37,272	37,170

Information about major customers

For the years ended 31 March 2016 and 2015, no single customers contributed 10% or more to the Group's revenue.

5. REVENUE

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

	2016	2015
	HK$'000	*HK$'000*
Retail of pharmaceutical and related products	**238,422**	220,762
Wholesale and distribution of pharmaceutical and related products	**1,083,341**	1,346,925
	1,321,763	1,567,687

6. OTHER REVENUE

	2016	2015
	HK$'000	*HK$'000*
Interest income	**220**	1,131
Rental income	**2,289**	2,511
Exhibition income	**–**	1
Sundry income	**2,491**	2,736
	5,000	6,379

7. OTHER GAIN/(LOSS), NET

	2016	2015
	HK$'000	*HK$'000*
Reversal of impairment loss of trade receivables	**683**	130
Change in fair value of investment property	**(490)**	(252)
Exchange gain	**2,674**	–
Loss on disposal of property, plant and equipment	**(337)**	(80)
	2,530	(202)

8. PROFIT/(LOSS) FROM OPERATIONS

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

	2016	2015
	HK$'000	*HK$'000*
Staff costs:		
Employee benefits expense (including directors' emoluments):		
Salaries and allowances	**65,200**	63,470
Retirement scheme contributions	**8,725**	7,808
	73,925	71,278
Other items:		
Depreciation of owned property, plant and equipment	**6,449**	5,085
Amortisation of prepaid lease payments	**365**	188
Auditors' remuneration		
– audit services	**987**	850
– non-audit services	**–**	–
Cost of inventories sold	**1,175,635**	1,407,842
Impairment loss on goodwill	**–**	785,169
Impairment loss recognised in respect of trade and other receivables	**1,176**	3,961
Loss on disposal of a subsidiary	**(772)**	–
Operating lease rentals in respect of land and building	**29,609**	25,437

9. FINANCE COSTS

	2016	2015
	HK$'000	*HK$'000*
Interest on:		
– Bank borrowings	**8,088**	8,819
– Convertible note	**8,277**	–
	16,365	8,819

10. TAXATION

	2016	2015
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax	**2,524**	7,828
– Under-provision in prior year	**–**	122
Deferred tax:		
– Current year credit	**(1,366)**	–
	1,158	7,950

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.

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.

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profits for the years ended 31 March 2016 and 2015. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax (2015: Nil).

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Cayman Islands and the British Virgin Islands.

11. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2016 (2015: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2016	2015
	HK$'000	*HK$'000*
Loss for the year		
Loss attributable to owners of the Company for the purpose of basic loss per share calculation	**(13,802)**	(772,949)

	2016	2015
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	**648,405,300**	648,405,300

For the years ended 31 March 2016 and 2015, diluted loss per share is the same as the basic loss per share as the computation of diluted loss per share does not assume the conversion of the Company's outstanding convertible note since it would result in an anti-dilutive effect on loss per share during the year ended 31 March 2016 while the Company did not have any dilutive potential ordinary shares during the year ended 31 March 2015.

13. TRADE AND OTHER RECEIVABLES AND DEPOSITS

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. Included in trade and other receivables and deposits are trade receivables of approximately HK$194,258,000 (2015: HK$282,077,000). The ageing analysis of trade receivables based on the invoices date is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**151,264**	213,845
91 – 180 days	**35,957**	50,607
181 – 365 days	**7,037**	17,593
Over 365 days	**5,397**	5,222
	199,655	287,267
Less: Impairment loss recognised in respect of trade receivables	**(5,397)**	(5,190)
	194,258	282,077

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$162,420,000 (2015: HK$168,680,000). The ageing analysis of trade payables is as follows:

	2016	2015
	HK$'000	*HK$'000*
Within 90 days	**106,571**	115,166
91 – 180 days	**30,174**	21,154
181 – 365 days	**10,094**	12,250
Over 365 days	**15,581**	20,110
	162,420	168,680

The average credit period on purchases of certain goods in range from 30 to 90 days.

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**").

Revenue

Looking back at 2015/16, the Group's revenue experienced a decrease. The Group recorded revenue of approximately HK$1,321.763 million (2015: approximately HK$1,567.687 million) for the year ended 31 March 2016, accounting for a decrease of approximately 15.69% over last year. The gross profit margin of the Group was approximately 11.06%, which maintained at a similar level as in 2015 which was approximately 10.20%.

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 categorised 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 revenue generated from the pharmaceutical wholesale and distribution business amounted to approximately HK$1,083.341 million (2015: approximately HK$1,346.925 million), representing approximately 19.57% of decrease over 2015 and accounted for approximately 81.96% of the Group's revenue. 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 2016, 117 (2015: 119) 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 revenue generated from pharmaceutical retail chain business amounted to approximately HK$238.422 million (2015: approximately HK$220.762 million), representing approximately 8.00% of increase over 2015.

Other revenue

Other revenue, primarily including sundry income, bank interest income, exhibition income and rental income amounted to approximately HK$5.000 million (2015: approximately HK$6.379 million) for the year ended 31 March 2016.

Selling and distribution expenses

For the year ended 31 March 2016, selling and distribution expenses amounted to approximately HK$100.466 million (2015: approximately HK$90.590 million), representing an increase of approximately 10.90% over the last year. The increase in the expenses was due to the increase of salaries, promotional expenses and rental expenses during the year.

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Administrative expenses

Administrative expenses for the year ended 31 March 2016 amounted to approximately HK$48.359 million (2015: approximately HK$46.774 million), representing a slightly increase of approximately 3.39% over last year.

Finance costs

For the year ended 31 March 2016, the finance costs of the Group were approximately HK$16.365 million (2015: approximately HK$8.819 million), representing a significant increase of approximately 85.57% over the last year. The increase was mainly due to the interest for the convertible note issued during the year.

Loss attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company of approximately HK$13.802 million (2015: HK$772.949 million) during the year ended 31 March 2016.

In 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 flows 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 2015.

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OUTLOOK AND FUTURE PROSPECTS

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 2016/17.

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LIQUIDITY AND FINANCIAL RESOURCES

The Group had total cash and cash equivalents of approximately HK$203.5 million as at 31 March 2016 (2015: approximately HK$43.029 million). The Group recorded total current assets of approximately HK$609.526 million as at 31 March 2016 (2015: approximately HK$618.170 million) and total current liabilities of approximately HK$278.444 million as at 31 March 2016 (2015: approximately HK$372.296 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.189 as at 31 March 2016 (2015: approximately 1.660).

As at 31 March 2016, the Group's gearing ratio which was calculated based on outstanding debts (comprising bank borrowings and principal amounts payable for convertible notes) less cash and cash equivalents over total equity (including all capital and reserves attributable to owners of the Company) was not applicable (2015: approximately 28.65%).

CAPITAL COMMITMENTS

As at 31 March 2016 and 2015, the Group had no material capital commitments.

MATERIAL ACQUISITIONS AND DISPOSALS

On 12 May 2015, Hui Hao (HK) Group Limited ("**Hui Hao (HK)**"), a wholly-owned subsidiary of the Company, Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd.# (福建省福州市惠好藥業有限公司) ("**Fuzhou Huihao**"), a wholly owned subsidiary of Hui Hao (HK) and Fuzhou Ren An Medical Technology Limited# (福州仁安醫藥科技有限公司) ("**Ren An**") 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. As a result, the equity interest of Hui Hao (HK) in Fuzhou Huihao was diluted from 100% to 75% and Fuzhou Huihao held as to 75% by Hui Hao (HK) and as to 25% by Ren An. Other than this, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the year.

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CONTINGENT LIABILITIES

As at 31 March 2016 and 2015, 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.

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 minimise 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 2016, the Group had bank borrowings outstanding balances and bill payables of approximately HK$32.396 million and HK$16.308 million respectively. The Group's pledged bank deposits, prepaid lease payments and investment property of approximately HK$6.096 million, HK$10.623 million and HK$7.199 million respectively, were pledged as collateral to secure banking facilities granted to the Group.

SEGMENT INFORMATION

During the year, the revenue of the Group was principally generated from: (1) pharmaceutical wholesale and distribution business and (2) pharmaceutical retail chain business in PRC.

CAPITAL STRUCTURE

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. Up to 31 March 2016, there was no Convertible Notes converted into the Conversion Shares.

As at 31 March 2016, the total issued share capital of the Company was approximately HK$6.484 million representing 648,405,300 ordinary shares (2015: 648,405,300 ordinary shares).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2016, the Group had 1,137 (2015: 1,046) full time employees (including directors) as shown in the following table:

Location	**Number of Staff**
Hong Kong	6
PRC	1,131

For the year ended 31 March 2016, staff costs (including directors emoluments) amounted to approximately HK$73.925 million (2015: approximately HK$71.278 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 2016, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

CORPORATE GOVERNANCE PRACTICES

Wanjia Group Holdings Limited (the "**Company**") acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders' value. The Company is also committed to achieving high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value and accountability of the Company.

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code (the "**CG Code**") as stated in Appendix 14 of the Rules Governing the Listing Securities on Main Board (the "**Listing Rules**") of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The Company has adopted the code provisions in the CG Code as its own code of corporate governance. Save as the deviation from the code provision A.2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A.2.1 as disclosed in the section "Chairman and Chief Executive Officer". The board of directors (the "**Board**") considers that the Company was in compliance with all applicable code provisions set out in the CG Code from 11 October 2013, being the date of listing of the Company, to the date of this announcement.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company 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**") since 11 October 2013, being the date of listing of the Company, up to the date of this announcement.

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 up to the date of this announcement.

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

All of the committee members are independent non-executive Directors. The primary duties of the Audit Committee include, but are not limited to:

(a) reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;

(b) 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;

(c) reviewing the Company's financial controls, risk management and internal control systems;

(d) 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 shall hold at least four regular meetings in a year to review and discuss the two quarterly, interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.

The Audit Committee shall meet with the external auditor at least once a year. The external auditor may request a meeting if they consider necessary.

During the year ended 31 March 2016, the Audit Committee held four meetings.

The Audit Committee has reviewed with management and the Group's auditor the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 March 2016. The Audit Committee has also reviewed the annual results for the year ended 31 March 2016.

The accounts for the year were audited by HLB Hodgson Impey Cheng Limited whose term of office will expire upon the forthcoming annual general meeting. The Audit Committee has recommended to the Board that HLB Hodgson Impey Cheng Limited be nominated for appointment as the auditors of the Company at the forthcoming annual general meeting.

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)*
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 majority of the members are independent non-executive Directors. The Remuneration Committee reviews the remuneration package of the executive Directors, independent non-executive Directors and senior management, and makes appropriate recommendations to the Board. Staff remuneration is determined by the Group's management by reference to the individual staff's qualifications, work experience, performance and prevailing market conditions.

The Remuneration Committee shall meet once during the financial year. During the meeting, the Remuneration Committee will review the remuneration packages of the executive Directors, independent non-executive Directors and senior management.

The Remuneration Committee held three meetings during the year ended 31 March 2016.

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. Liang Yichi
Mr. Wong Hon Kit
Dr. Liu Yongping

The majority of the members are independent non-executive Directors. The primary duties of the nomination and corporate governance committee include, but are not limited to:

(a) 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;

(b) 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 directorship;

(c) 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

(d) keeping the effectiveness of the corporate governance and system of internal controls of the Group.

The Nomination and Corporate Governance Committee shall meet once during the financial year. During the meeting, the Nomination and Corporate Governance Committee will review the structure and composition (including the skills, knowledge and experience) of the Board.

The Nomination and Corporate Governance Committee held two meetings during the year ended 31 March 2016.

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, 16 June 2016

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