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 2017

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2017 is as follows:

- Total revenue was approximately HK$985.909 million (2016: approximately HK$1,321.763 million), representing approximately 25.41% of decrease over 2016.
- Gross profit was approximately HK$126.269 million (2016: approximately HK$146.128 million), representing approximately 13.59% of decrease over 2016.
- The operating loss was approximately HK$9.934 million (2016: profit of approximately HK$4.061 million).
- Loss for the year attributable to owners of the Company was approximately HK$25.792 million (2016: approximately HK$13.802 million).
- The Group had total cash and cash equivalents of approximately HK$93.721 million as at 31 March 2017 (2016: approximately HK$203.500 million).
- The board does not recommend the payment of a final dividend for the year ended 31 March 2017 (2016: 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 2017 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 2017

		2017	2016
	Note	***HK$'000***	*HK$'000*
Revenue	*5*	**985,909**	1,321,763
Cost of sales		**(859,640)**	(1,175,635)
Gross profit		**126,269**	146,128
Other revenue	*6*	**3,582**	5,000
Other gain and loss, net	*7*	**990**	2,530
Loss on disposal of a subsidiary		**(326)**	(772)
Selling and distribution expenses		**(95,226)**	(100,466)
Administrative expenses		**(45,223)**	(48,359)
(Loss)/profit from operations	*8*	**(9,934)**	4,061
Finance costs	*9*	**(14,441)**	(16,365)
Loss before taxation		**(24,375)**	(12,304)
Taxation	*10*	**(1,350)**	(1,158)
Loss for the year		**(25,725)**	(13,462)
Other comprehensive loss for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**(18,996)**	(18,924)
Reclassification adjustment from translation reserve upon disposal of a subsidiary		**(1,349)**	–
Total comprehensive loss for the year		**(46,070)**	(32,386)

	Note	**2017**	2016
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(25,792)**	(13,802)
Non-controlling interests		**67**	340
		(25,725)	(13,462)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(41,629)**	(29,935)
Non-controlling interests		**(4,441)**	(2,451)
		(46,070)	(32,386)
Loss per share attributable to owners of the Company:			
– Basic *(HK cents per share)*	*12*	**(3.98)**	(2.13)
– Diluted *(HK cents per share)*	*12*	**(3.98)**	(2.13)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2017

	Note	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**27,318**	18,384
Prepaid lease payments		**10,276**	11,347
Investment property		**6,766**	7,199
Goodwill	*13*	**123,871**	342
		168,231	37,272
Current assets			
Inventories		**86,134**	107,578
Trade and other receivables and deposits	*14*	**202,097**	284,171
Amounts due from fellow subsidiaries		**–**	8,181
Pledged bank deposits		**10,156**	6,096
Cash and cash equivalents		**93,721**	203,500
		392,108	609,526
Current liabilities			
Trade and other payables	*15*	**178,346**	233,078
Amount due to the ultimate holding company		**–**	485
Amounts due to fellow subsidiaries		**–**	10,802
Bank borrowings		**59,342**	32,396
Convertible notes		**83,369**	–
Tax payables		**1,418**	1,683
Deferred tax liabilities		**80**	–
		322,555	278,444

	2017	2016
	HK$'000	*HK$'000*
Non-current liabilities		
Convertible notes	**–**	77,267
Deferred tax liabilities	**–**	563
	–	77,830
Net current assets	**69,553**	331,082
Total assets less current liabilities	**237,784**	368,354
Net assets	**237,784**	290,524
Capital and reserves		
Share capital	**6,484**	6,484
Reserves	**181,627**	216,260
Equity attributable to owners of the Company	**188,111**	222,744
Non-controlling interests	**49,673**	67,780
Total equity	**237,784**	290,524

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2017

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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at Room 1902, 19/F., 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 business, pharmaceutical retain chain business and hemodialysis treatment and consultancy service business in the Peoples' Republic of China (the "**PRC**").

The Company's shares have been listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 11 October 2013. Prior to 2 March 2017, the Company's immediate holding company was 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 Healthcare Holdings Limited ("**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 was the ultimate holding company of the Company. However, on 2 March 2017, the shares of the Company held by Hua Xia have been distributed by Hua Xia to its shareholders. Since then, the Company is no longer a subsidiary of Hua Xia.

The consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), which is the same as functional currency of the Company, and the functional currency of the most of the subsidiaries are Renminbi ("**RMB**"). The Board of Directors considered that it is more appropriate to present the consolidated financial statements in HK$ as the shares of the Company are listed on the Stock Exchange. The consolidated financial statements are rounded to the nearest thousand (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 new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), which are effective for the Group's financial year beginning on or after 1 April 2016.

HKFRSs (Amendments)	Annual Improvements to HKFRSs 2012-2014 Cycle
HKFRS 10, HKFRS 12 and HKAS 28 (Amendments)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendments)	Accounting for Acquisition of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendments)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendments)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendments)	Agriculture: Bearer Plants
HKAS 27 (Amendments)	Equity Method in Separate Financial Statements

The application of the above new and revised HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and on the disclosures set out in these consolidated financial statements.

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 2014-2016 Cycle[5]
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions[2]
HKFRS 4 (Amendments)	Insurance Contracts[2]
HKFRS 9	Financial Instruments[2]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers[2]
HKFRS 15 (Amendments)	Clarifications to HKFRS 15 Revenue from Contracts with Customers[2]
HKFRS 16	Leases[3]
HKAS 7 (Amendments)	Disclosure Initiative[1]
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses[1]
HKAS 40 (Amendments)	Transfers of Investment Property[2]
HK (IFRIC) - Int 22	Foreign Currency Transactions and Advance Consideration[2]

[1] *Effective for annual periods beginning on or after 1 January 2017, with earlier application permitted.*

[2] *Effective for annual periods beginning on or after 1 January 2018, with earlier application permitted.*

[3] *Effective for annual periods beginning on or after 1 January 2019, with earlier application permitted.*

[4] *Effective for annual periods beginning on or after a date to be determined.*

[5] *Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.*

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The consolidated financial statements have been prepared in accordance with HKFRSs issued by 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 and by the Hong Kong Companies Ordinance ("**CO**").

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in areas where assumptions and estimates are significant to the consolidated financial statements.

A summary of significant accounting policies followed by the Group in the preparation of the consolidated 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 instruments and investment property that are measured at fair value at the end of each reporting period, 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 goods and services.

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 three operating divisions: (a) pharmaceutical wholesale and distribution business, (b) pharmaceutical retail chain business and (c) hemodialysis treatment and consultancy service 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 2017

	Pharmaceutical wholesale and distribution business *HK$'000*	Pharmaceutical retail chain business *HK$'000*	Hemodialysis treatment and consultancy service business *HK$'000*	Eliminations *HK$'000*	Consolidated *HK$'000*
Revenue					
External sales	**728,805**	**257,035**	**69**	**–**	**985,909**
Inter-segment sales	**18,225**	**–**	**–**	**(18,225)**	**–**
Total revenue	**747,030**	**257,035**	**69**	**(18,225)**	**985,909**
Inter-segment sales are charged at arm's length					
Results					
Segment results	**4,270**	**(9,065)**	**(224)**	**–**	**(5,019)**
Unallocated other revenue					**2**
Loss on disposal of a subsidiary					**(326)**
Unallocated corporate expenses					**(4,591)**
Loss from operations					**(9,934)**
Finance costs					**(14,441)**
Loss before taxation					**(24,375)**
Taxation					**(1,350)**
Loss for the year					**(25,725)**

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)

Segment assets and liabilities

As at 31 March 2017

	Pharmaceutical wholesale and distribution business *HK$'000*	**Pharmaceutical retail chain business** *HK$'000*	**Hemodialysis treatment and consultancy service business** *HK$'000*	**Consolidated** *HK$'000*
Consolidated statement of financial position				
Assets				
Segment assets	**395,085**	**143,036**	**21,866**	**559,987**
Unallocated corporate assets				**352**
Consolidated total assets				**560,339**
Liabilities				
Segment liabilities	**169,873**	**62,381**	**4,681**	**236,935**
Convertible notes				**83,369**
Deferred tax liabilities				**80**
Unallocated corporate liabilities				**2,171**
Consolidated total liabilities				**322,555**

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 notes			77,267
Deferred tax liabilities			563
Unallocated corporate liabilities			3,085
Consolidated total liabilities			356,274

Other segment information

For the year ended 31 March 2017

	Pharmaceutical wholesale and distribution business *HK$'000*	Pharmaceutical retail chain business *HK$'000*	Hemodialysis treatment and consultancy service business *HK$'000*	Unallocated *HK$'000*	Consolidated *HK$'000*
Other information					
Capital expenditure *(Note)*	**1,704**	**4,257**	**–**	**6**	**5,967**
Depreciation	**1,532**	**4,305**	**138**	**16**	**5,991**
Amortisation of prepaid lease payments	**–**	**366**	**–**	**–**	**366**
Loss on disposal of property, plant and equipment	**240**	**400**	**–**	**–**	**640**
Impairment loss recognised in respect of trade and other receivables	**–**	**1,508**	**–**	**–**	**1,508**
Reversal of impairment loss recognised in respect of trade and other receivables	**(890)**	**–**	**–**	**–**	**(890)**
Loss on disposal of a subsidiary	**326**	**–**	**–**	**–**	**326**

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 *(Note)*	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

Note:

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 unallocated corporate assets. Unallocated corporate assets mainly include cash and cash equivalents and office equipment of the central administration companies. Goodwill is allocated to reportable segments.

- all liabilities are allocated to reportable segments other than convertible notes, 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 three principal areas – pharmaceutical wholesale and distribution business, pharmaceutical retail chain business and hemodialysis treatment and consultancy service business 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	
	2017	2016
	HK$'000	*HK$'000*
Hong Kong	**14**	24
PRC	**168,217**	37,248
	168,231	37,272

Information about major customers

For the years ended 31 March 2017 and 2016, 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:

	2017	2016
	HK$'000	*HK$'000*
Retail of pharmaceutical and related products	**257,035**	238,422
Wholesale and distribution of pharmaceutical and related products	**728,805**	1,083,341
Provision of hemodialysis treatment and consultancy services	**69**	–
	985,909	1,321,763

6. OTHER REVENUE

	2017	2016
	HK$'000	*HK$'000*
Interest income	**361**	220
Rental income	**281**	2,289
Sundry income	**2,940**	2,491
	3,582	5,000

7. OTHER GAIN AND LOSS , NET

	2017	2016
	HK$'000	*HK$'000*
Reversal of impairment loss of trade receivables	**890**	683
Change in fair value of investment property	**–**	(490)
Exchange gain	**740**	2,674
Loss on disposal of property, plant and equipment	**(640)**	(337)
	990	2,530

8. (LOSS)/PROFIT FROM OPERATIONS

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

	2017	2016
	HK$'000	*HK$'000*
Staff costs:		
Employee benefits expense (including directors' emoluments):		
Salaries and allowances	**81,711**	65,200
Retirement scheme contributions	**8,323**	8,725
	90,034	73,925
Other items:		
Depreciation of property, plant and equipment	**5,991**	6,449
Amortisation of prepaid lease payments	**366**	365
Auditors' remuneration		
– audit services	**987**	987
– non-audit services	**–**	–
Cost of inventories sold	**859,640**	1,175,635
Impairment loss recognised in respect of trade and other receivables	**1,508**	1,176
Loss on disposal of a subsidiary	**326**	772
Operating lease rentals in respect of land and building	**27,841**	29,609

9. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on:		
– Bank borrowings	**4,127**	8,088
– Convertible notes	**10,314**	8,277
	14,441	16,365

10. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax	**1,833**	2,524
Deferred tax:		
– Current year credit	**(483)**	(1,366)
	1,350	1,158

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.

Provision on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

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 2017 and 2016. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax (2016: 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 2017 (2016: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2017	2016
	HK$'000	*HK$'000*
Loss for the year		
Loss attributable to owners of the Company for the purpose of basic loss per share calculation	**(25,792)**	(13,802)

	2017	2016
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 2017 and 2016, 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 notes since it would result in an anti-dilutive effect on loss per share during the years ended 31 March 2017 and 2016.

13. GOODWILL

	2017	2016
	HK$'000	*HK$'000*
Cost		
As at 1 April	**785,511**	787,382
Additional amounts recognised from business combination occurring during the year	**123,550**	–
Release of goodwill due to disposal of a subsidiary	**–**	(1,852)
Exchange realignment	**(21)**	(19)
As at 31 March	**909,040**	785,511
Accumulated impairment losses		
As at 1 April and 31 March	**785,169**	785,169
Carrying amounts		
As at 31 March	**123,871**	342

14. TRADE AND OTHER RECEIVABLES AND DEPOSITS

Payment terms with customers from the pharmaceutical wholesale and distribution business, pharmaceutical retail chain business and hemodialysis treatment and consultancy service 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$110,026,000 (2016: HK$194,258,000). The ageing analysis of trade receivables based on the invoices date is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**90,437**	151,264
91 – 180 days	**11,900**	35,957
181 – 365 days	**7,689**	7,037
Over 365 days	**5,663**	5,397
	115,689	199,655
Less: Impairment loss recognised in respect of trade receivables	**(5,663)**	(5,397)
	110,026	194,258

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$100,388,000 (2016: HK$162,420,000). The ageing analysis of trade payables is as follows:

	2017	2016
	HK$'000	*HK$'000*
Within 90 days	**60,068**	106,571
91 – 180 days	**14,087**	30,174
181 – 365 days	**4,954**	10,094
Over 365 days	**21,279**	15,581
	100,388	162,420

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

16. EVENT AFTER THE REPORTING PERIOD

On 1 June 2017, the Company and the convertible notes holders entered into the deed of amendment pursuant to which the convertible notes would (a) fall due on 30 November 2017, being the new maturity date; (b) contain an early redemption option which could be exercised by the Company; (c) extend the outstanding payment interest date; and (d) bear interest at 8% per annum for interest accrued after 31 May 2017. For details, please refer to the announcement of the Company dated 1 June 2017.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

On 11 October 2013, the Company was spun-off from Hua Xia and listed on the Main Board of The Stock Exchange by way of introduction.

However, on 2 March 2017, the shares held by Hua Xia has been distributed by Hua Xia to its shareholders. Since then, the Company is no longer the subsidiary of Hua Xia.

The Group continues to focus on pharmaceutical wholesale and distribution business and pharmaceutical retail chain business in the People's Republic of China (the "**PRC**"). This year, the Group has a new business which provides hemodialysis treatment and consultancy service.

Revenue

Looking back at 2016/17, the Group's revenue experienced a decrease. The Group recorded revenue of approximately HK$985.909 million (2016: approximately HK$1,321.763 million) for the year ended 31 March 2017, accounting for a decrease of approximately 25.41% over last year. Nevertheless, the gross profit margin of the Group was approximately 13.59%, while it was approximately 11.06% in 2016.

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$728.805 million, this i) represented approximately 32.73% of decrease over 2016 (2016: approximately HK$1,083.341 million) and ii) accounted for approximately 73.92% 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 Good Supply Practice ("**New GSP**").

Pharmaceutical retail chain business

The Group operates pharmaceutical retail chain 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 2017, 120 (2016: 117) 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$257.035 million (2016: approximately HK$238.422 million), representing approximately 7.81% of increase over 2016.

Provision of hemodialysis treatment and consultancy service

In January 2017, the Group acquired a new business which provides hemodialysis treatment and consultancy service. As the completion of the acquisition of this business was in March 2017 which is less than a month to the year ended date. Therefore, the contribution to the Group for the year is limited.

Other revenue

Other revenue, primarily including sundry income, bank interest income, exhibition income and rental income amounted to approximately HK$3.582 million (2016: approximately HK$5.000 million) for the year ended 31 March 2017.

Selling and distribution expenses

For the year ended 31 March 2017, selling and distribution expenses amounted to approximately HK$95.226 million (2016: approximately HK$100.466 million), representing an decrease of approximately 5.22% over the last year.

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Administrative expenses

Administrative expenses for the year ended 31 March 2017 amounted to approximately HK$45.223 million (2016: approximately HK$48.359 million), representing a decrease of approximately 6.48% over last year.

The decrease in the selling and distribution expenses and the administration expenses was due to the decrease in the turnover of the Group.

Finance costs

For the year ended 31 March 2017, the finance costs of the Group were approximately HK$14.441 million (2016: approximately HK$16.365 million), representing a decrease of approximately 11.76% over the last year.

Loss attributable to owners of the Company

The Group recorded a loss attributable to owners of the Company of approximately HK$25.792 million (2016: HK$13.802 million) during the year ended 31 March 2017.

The increase in loss attributable to owners of the Company was due to the decrease in the turnover of pharmaceutical wholesale and distribution business as the effect of the implementation of the New GSP.

OUTLOOK AND FUTURE PROSPECTS

Since the implementation of New GSP, market rivals have reduced, but meanwhile, customers of the Group have also reduced accordingly. Owing to the uncertainty as to which scenario will have more effects on the Group, thus, we seek to hire more staff to secure more market shares on the one hand, and cut unnecessary spending and increase gross profits to supplement the decrease in revenue resulted from loss of customer on the other hand, and thereby observing the market reactions and how to impact on market share of the Group. Unfortunately, turnover generated from pharmaceutical wholesale and distribution business is still declined, resulting in an increase in loss attributable to owners of the Company.

The impact of New GSP has appeared one after another, in which the Group will make a response and policy adjustment as a result of the impacts seen, it is hoped to take advantage of the benefits from that in August 2014, Fujian Food and Drug Administration# (福建省食品藥品監督管理局) announced the operating subsidiary of the Group, namely Fujian Province Fuzhou City Huihao Pharmaceutical Company Limited# (福建省福州市惠好藥業有限公司), was one of 10 companies which has been permitted to conduct the business in the distribution to public hospitals and public healthcare institutions after 2016. The Group believes that with the pharmaceutical market consolidation has continued at national and local level, it is expected to provide opportunities for companies with large scale operations like the Group.

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.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$93.721 million as at 31 March 2017 (2016: approximately HK$203.500 million). The Group recorded total current assets of approximately HK$392.108 million as at 31 March 2017 (2016: approximately HK$609.526 million) and total current liabilities of approximately HK$322.555 million as at 31 March 2017 (2016: approximately HK$278.444 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.216 as at 31 March 2017 (2016: approximately 2.189).

As at 31 March 2017, the Group's gearing ratio which was calculated based on outstanding debts (comprising bank borrowings and convertible notes) less cash and cash equivalents over total equity (including all capital and reserves attributable to owners of the Company) was approximately 26.04% (2016: not applicable).

CAPITAL COMMITMENTS

As at 31 March 2017 and 2016, the Group had no material capital commitments.

MATERIAL ACQUISITIONS AND DISPOSALS

On 24 January 2017, Fujian Rui Mai Trading Company Limited# (福建鋭邁貿易有限公司), a directly wholly-owned subsidiary of Fujian Province Fuzhou City Huihao Pharmaceutical Company Limited ("**Fuzhou Huihao**")# (福建省福州市惠好藥業有限公司) which was indirectly owned as to 78.14% by the Company, acquired Mingxi County Trading Company Limited# (明溪縣佳維貿易有限公司) (the "**Target Group**") at a consideration of RMB125,000,000 (approximately HK$140,954,000). The Target Group is principally engaged in providing hemodialysis treatment and consultancy service through jointly-operated and self-operated hemodialysis treatment centers and trading of hemodialysis treatment consumables and equipment in the PRC.

On 21 February 2017, Fuzhou Huihao disposed a non-wholly owned subsidiary, namely Huihao Pharmaceutical (Nanping) Company Limited# (惠好醫藥(南平)有限公司), at consideration of RMB8,378,000 (equivalent to approximately HK$9,689,000).

Other than this, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the year.

CONTINGENT LIABILITIES

As at 31 March 2017 and 2016, 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.

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CHARGES ON GROUP'S ASSETS

As at 31 March 2017, the Group had bank borrowings outstanding balances and bill payables of approximately HK$59.342 million and HK$21.557 million respectively. The Group's pledged bank deposits, prepaid lease payments and investment property of approximately HK$10.156 million, HK$9.664 million and HK$6.766 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, (2) pharmaceutical retail chain business and (3) hemodialysis treatment and consultancy service business in the 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 2017, there was no convertible notes converted into the conversion shares.

Subsequent to the balance sheet, the Company signed the Deeds of amendment with all the holders of the convertible notes to extend the maturity date of the convertible notes to 30 November 2017.

As at 31 March 2017, the total issued share capital of the Company was approximately HK$6.484 million representing 648,405,300 ordinary shares (2016: 648,405,300 ordinary shares).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2017, the Group had 1,112 (2016: 1,137) full time employees (including directors) as shown in the following table:

Location	**Number of Staff**
Hong Kong	8
PRC	1,104

For the year ended 31 March 2017, staff costs (including directors emoluments) amounted to approximately HK$90.034 million (2016: approximately HK$73.925 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 2017, 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.

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)*
Dr. Liu Yongping
Mr. Fok Wai Ming Eddie (appointed on 24 March 2017)
Mr. Liang Yichi (resigned on 24 March 2017)

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 2017, 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 2017. The Group's audited consolidated financial results for the year ended 31 March 2017 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures has been made.

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
Ms. Shum Ngai Pan (resigned on 20 July 2016)
Mr. Jiang Xiangfeng (appointed on 20 July 2016 and resigned on 24 March 2017)
Mr. Chiu King Yan (appointed on 6 March 2017)

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 two meetings during the year ended 31 March 2017.

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 (resigned on 24 March 2017)
Mr. Wong Hon Kit
Dr. Liu Yongping
Mr. Fok Wai Ming Eddie (appointed on 24 March 2017)

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 2017.

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
Chiu King Yan
Executive Director

Hong Kong, 16 June 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Chen Jinshan, Ms. Yung Ka Lai and Mr. Chiu King Yan, and three independent non-executive Directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Fok Wai Ming Eddie.