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 2018

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2018 is as follows:

- Total revenue was approximately HK$616.409 million (2017: approximately HK$985.909 million), representing approximately 37.48% of decrease over 2017.
- Gross profit was approximately HK$100.625 million (2017: approximately HK$126.269 million), representing approximately 20.31% of decrease over 2017.
- The operating loss was approximately HK$35.872 million (2017: approximately HK$9.934 million).
- Loss for the year attributable to owners of the Company was approximately HK$55.586 million (2017: approximately HK$25.792 million).
- The Group had total cash and cash equivalents of approximately HK$91.922 million as at 31 March 2018 (2017: approximately HK$93.721 million).
- The board does not recommend the payment of a final dividend for the year ended 31 March 2018 (2017: 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 2018 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 2018

	Notes	**2018** **HK$'000**	2017 *HK$'000*
Revenue	*5*	**616,409**	985,909
Cost of sales		**(515,784)**	(859,640)
Gross profit		**100,625**	126,269
Other revenue	*6*	**866**	3,582
Other gain and loss, net	*7*	**2,439**	990
Loss on disposal of a subsidiary		**–**	(326)
Impairment loss on goodwill		**(336)**	–
Selling and distribution expenses		**(90,136)**	(95,226)
Administrative expenses		**(49,330)**	(45,223)
Loss from operations	*8*	**(35,872)**	(9,934)
Finance costs	*9*	**(14,699)**	(14,441)
Loss before taxation		**(50,571)**	(24,375)
Taxation	*10*	**(4,856)**	(1,350)
Loss for the year		**(55,427)**	(25,725)
Other comprehensive income/(loss) for the year			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating of foreign operations		**32,059**	(18,996)
Reclassification adjustment from translation reserve upon disposal of a subsidiary		**–**	(1,349)
Other comprehensive income/(loss) for the year		**32,059**	(20,345)
Total comprehensive loss for the year		**(23,368)**	(46,070)

	Notes	**2018**	2017
		HK$'000	*HK$'000*
Loss for the year attributable to:			
Owners of the Company		**(55,586)**	(25,792)
Non-controlling interests		**159**	67
		(55,427)	(25,725)
Total comprehensive loss for the year attributable to:			
Owners of the Company		**(28,836)**	(41,629)
Non-controlling interests		**5,468**	(4,441)
		(23,368)	(46,070)
Loss per share attributable to owners of the Company:			
– Basic *(HK cents per share)*	*12*	**(8.57)**	(3.98)
– Diluted *(HK cents per share)*	*12*	**(8.57)**	(3.98)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2018

	Notes	2018 HK$'000	2017 HK$'000
Non-current assets			
Property, plant and equipment		**26,544**	27,318
Prepaid lease payments		**10,958**	10,276
Investment property		**9,789**	6,766
Goodwill	*13*	**136,623**	123,871
		183,914	168,231
Current assets			
Inventories		**62,136**	86,134
Prepaid lease payments		**383**	366
Trade and other receivables and deposits	*14*	**118,453**	201,731
Pledged bank deposits		**–**	10,156
Cash and cash equivalents		**91,922**	93,721
		272,894	392,108
Current liabilities			
Trade and other payables	*15*	**137,268**	178,346
Amount due to a director		**2,000**	–
Bank borrowings		**–**	59,342
Other borrowing	*16*	**100,000**	–
Convertible notes		**–**	83,369
Tax payables		**3,124**	1,418
Deferred tax liabilities		**–**	80
		242,392	322,555
Net current assets		**30,502**	69,553
Total assets less current liabilities		**214,416**	237,784
Net assets		**214,416**	237,784

	2018	2017
	HK$'000	*HK$'000*
Capital and reserves		
Share capital	**6,484**	6,484
Reserves	**152,791**	181,627
Equity attributable to owners of the Company	**159,275**	188,111
Non-controlling interests	**55,141**	49,673
Total equity	**214,416**	237,784

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2018

1. GENERAL INFORMATION

The Company was incorporated as an exempted Company with limited liabilities in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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 retail chain business and hemodialysis treatment and consultancy service business in the PRC.

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 thousands (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 (collectively referred to as the "**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 2017. A summary of the new and revised HKFRSs applied by the Group is set out as follow:

HKAS 7 (Amendments)	Disclosure Initiative
HKAS 12 (Amendments)	Recognition of Deferred Tax Assets for Unrealised Losses
HKFRSs (Amendments)	Annual Improvements to HKFRSs 2014-2016 Cycle

Except as described below, for the application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Amendments to HKAS 7 Disclosure Initiative

The Group has applied the amendments to HKAS 7 Disclosure Initiative for the first time in the current year. The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including both changes arising from cash flows and non-cash changes.

Specifically, the amendments require the following to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

A reconciliation between the opening and closing balances of these items is provided in note to the consolidated financial statements. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior year. Apart from the additional disclosure in note to the financial statements, the application of these amendments has had no impact on the Group's consolidated financial statements.

Except for the additional disclosures made in the Group's consolidated financial statements, the application of these amendments has had no material impact on the Group's consolidated financial statements.

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

HKFRS 2 (Amendments)	Share-based Payment[1]
HKFRS 4 (Amendments)	Applying HKFRSs 9 Financial Instruments with HKFRS 4 Insurance contract[1]
HKFRS 9	Financial Instruments[1]
HKFRS 9 (Amendments)	Prepayment Features with Negative compensation[2]
HKFRS 10 and HKAS 28 (Amendments)	Sales or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
HKFRS 15	Revenue from Contracts with Customers and related amendments[1]
HKFRS 16	Leases[2]
HKFRS 17	Insurance Contracts[3]
HK(IFRIC) Int 22	Foreign Currency Transactions and Advance Consideration[1]
HK(IFRIC) Int 23	Uncertainty over Income Tax Treatment[2]
HKAS 19 (Amendments)	Plan Amendments, Curtailment or settlement[2]
HKAS 28 (Amendments)	Investment in Associate and Joint Venture[2]
HKAS 40 (Amendments)	Transfer of Investment Property[1]
HKFRSs (Amendments)	Annual Improvement to HKFRSs 2014-2016 Cycle[1]
HKFRSs (Amendments)	Annual Improvement to HKFRSs 2015-2017 Cycle[2]

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

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

3 *Effective for annual periods beginning on or after 1 January 2021.*

4 *Effective for annual periods beginning on or after a date to be determined. Early adoption is permitted.*

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 also 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 2018

	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	**318,809**	**263,395**	**34,205**	**–**	**616,409**
Inter-segment sales	**3,947**	**–**	**112**	**(4,059)**	**–**
Total revenue	**322,756**	**263,395**	**34,317**	**(4,059)**	**616,409**
Inter-segment sales are charged at arm's length					
Results					
Segment results	**(4,864)**	**(36,475)**	**12,455**	**–**	**(28,884)**
Unallocated corporate expenses					**(6,988)**
Loss from operations					**(35,872)**
Finance costs					**(14,699)**
Loss before taxation					**(50,571)**
Taxation					**(4,856)**
Loss for the year					**(55,427)**

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)

Segment assets and liabilities

As at 31 March 2018

	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	**119,429**	**134,871**	**65,646**	**319,946**
Goodwill	**–**	**–**	**136,623**	**136,623**
Unallocated corporate assets				**239**
Consolidated total assets				**456,808**
Liabilities				
Segment liabilities	**30,156**	**86,747**	**20,982**	**137,885**
Other borrowing				**100,000**
Amount due to a director				**2,000**
Unallocated corporate liabilities				**2,507**
Consolidated total liabilities				**242,392**

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	271,214	143,036	21,866	436,116
Goodwill	–	321	123,550	123,871
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

Other segment information

For the year ended 31 March 2018

	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)*	**12**	**3,428**	**2,390**	**2**	**5,832**
Depreciation	**1,205**	**4,685**	**3,104**	**7**	**9,001**
Fair value change on investment property	**–**	**2,182**	**–**	**–**	**2,182**
Amortisation of prepaid lease payments	**–**	**383**	**–**	**–**	**383**
Loss on disposal of property, plant and equipment	**72**	**20**	**–**	**–**	**92**
Impairment loss recognised in respect of trade receivables	**524**	**388**	**201**	**–**	**1,113**
Reversal of impairment loss recognised in respect of trade receivables	**(268)**	**(81)**	**–**	**–**	**(349)**
Impairment loss recognised in respect of other receivables	**–**	**2,987**	**–**	**–**	**2,987**

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 receivables	–	1,508	–	–	1,508
Reversal of impairment loss recognised in respect of trade receivables	(890)	–	–	–	(890)
Loss on disposal of a subsidiary	326	–	–	–	326

Note:

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

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, bank borrowings, other borrowing, amount due to a director and certain other payables certain administrative 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	
	2018	2017
	HK$'000	*HK$'000*
Hong Kong	**9**	14
PRC	**183,905**	168,217
	183,914	168,231

Information about major customers

For the years ended 31 March 2018 and 2017, 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:

	2018	2017
	HK$'000	*HK$'000*
Retail of pharmaceutical and related products	**263,395**	257,035
Wholesale and distribution of pharmaceutical and related products	**318,809**	728,805
Provision of hemodialysis treatment and consultancy services	**34,205**	69
	616,409	985,909

6. OTHER REVENUE

	2018	2017
	HK$'000	*HK$'000*
Interest income	**277**	361
Rental income	**225**	281
Sundry income	**364**	2,940
	866	3,582

7. OTHER GAIN AND LOSS , NET

	2018	2017
	HK$'000	*HK$'000*
Reversal of impairment loss of trade receivables	**349**	890
Change in fair value of investment property	**2,182**	–
Exchange gain	**–**	740
Loss on disposal of property, plant and equipment	**(92)**	(640)
	2,439	990

8. LOSS FROM OPERATIONS

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

	2018	2017
	HK$'000	*HK$'000*
Staff costs:		
Employee benefits expense (including directors' emoluments):		
Salaries and allowances	**61,907**	81,711
Retirement scheme contributions	**7,334**	8,323
	69,241	90,034
Other items:		
Depreciation of property, plant and equipment	**9,001**	5,991
Amortisation of prepaid lease payments	**383**	366
Auditors' remuneration		
– audit services	**987**	987
Cost of inventories sold	**515,784**	859,640
Impairment loss on goodwill	**336**	–
Impairment loss recognised in respect of trade receivables	**1,113**	1,508
Impairment loss recognised in respect of other receivables	**2,987**	–
Loss on disposal of a subsidiary	**–**	326
Operating lease rentals in respect of land and building	**24,941**	27,841

9. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on:		
– Bank borrowings	**1,598**	4,127
– Other borrowing	**8,200**	–
– Convertible notes	**4,901**	10,314
	14,699	14,441

10. TAXATION

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
– PRC Enterprise Income Tax	**4,936**	1,833
Deferred tax:		
– Current year credit	**(80)**	(483)
	4,856	1,350

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 2018 and 2017. No provision for Hong Kong Profits Tax has been made as the Group did not have assessable profits subject to Hong Kong Profits Tax (2017: 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 2018 (2017: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

	2018	2017
	HK$'000	*HK$'000*
Loss for the year		
Loss attributable to owners of the Company for the purpose of basic loss per share calculation	**(55,586)**	(25,792)

	2018	2017
Number of shares		
Weighted average number of shares for the purpose of basic loss per share	**648,405,300**	648,405,300

For the year ended 31 March 2017, 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 year ended 31 March 2017.

For the year ended 31 March 2018, diluted loss per share is the same as the basic loss per share as there was no potential diluted event.

13. GOODWILL

	2018	2017
	HK$'000	*HK$'000*
Cost		
As at 1 April	**909,040**	785,511
Additional amounts recognised from business combination occurring during the year	**–**	123,550
Exchange realignment	**13,107**	(21)
As at 31 March	**922,147**	909,040
Accumulated impairment losses		
As at 1 April	**785,169**	785,169
Impairment loss recognised during the year	**336**	–
Exchange realignment	**19**	–
As at 31 March	**785,524**	785,169
Carrying amounts		
As at 31 March	**136,623**	123,871

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 (2017: 30 to 90 days) for pharmaceutical wholesale and distribution business and 5 to 365 days (2017: Nil) for hemodialysis treatment and consulting service business respectively of issuance of invoices. Included in trade and other receivables and deposits are trade receivables approximately HK$92,820,000 (2017: HK$110,026,000). The ageing analysis of trade receivables based on the invoices date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**58,396**	90,437
91 – 180 days	**21,232**	11,900
181 – 365 days	**13,192**	7,689
Over 365 days	**7,070**	5,663
	99,890	115,689
Less: Impairment loss recognised in respect of trade receivables	**(7,070)**	(5,663)
	92,820	110,026

15. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables of approximately HK$92,597,000 (2017: HK$100,388,000), the ageing analysis of trade payables of the Group presented based on the invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 90 days	**60,454**	60,068
91 – 180 days	**8,911**	14,087
181 – 365 days	**5,817**	4,954
Over 365 days	**17,415**	21,279
	92,597	100,388

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

16. OTHER BORROWING

	2018	2017
	HK$'000	*HK$'000*
Carrying amount repayable within one year:		
Secured loan repayable within one year	**100,000**	–

On 28 November 2017, the Company entered into a loan agreement with an independent third party ("Lender") for borrowing of principal amount HK$100,000,000 (the "Loan") for a term of 3 months from the date of drawing down with an option to renew for another 3 months after the maturity of the loan.

On 28 February 2018, the Company exercised the renewal option and the Lender agreed to the extension of the Loan to another 3 months to 28 May 2018 with the same terms.

The Loan is secured by the debenture. The interest rate (i) for the first month after drawing was 3.9% per month; (ii) for the second month after drawing was 1.8% per month; (iii) for the third month after drawing and until the repayment date was 1.25% per month (iv) for the fourth month to the sixth month after drawing and until the repayment date as renewed was 1.25% per month.

For the details of other borrowing and debenture, please refer to the Company's announcement dated 28 November 2017, 28 February 2018 and 27 June 2018.

17. COMPARATIVES

Certain comparative amounts have been reclassified to conform with current year's presentation.

18. EVENT AFTER THE REPORTING PERIOD

On 27 June 2018, the lender and the Company agreed to further extend the repayment date of the other borrowing of HK$100,000,000 to 29 May 2019. For the details of other borrowing, please refer to Announcement dated 28 November 2017, 28 February 2018 and 27 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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.

This year, the Group continues business on pharmaceutical wholesale and distribution business, pharmaceutical retail chain business and provides hemodialysis treatment and consultancy service in the PRC.

Revenue

Looking back at 2017/18, the Group's revenue experienced a decrease. The Group recorded revenue of approximately HK$616.409 million (2017: approximately HK$985.909 million) for the year ended 31 March 2018, accounting for a decrease of approximately 37.48% over last year. Nevertheless, the gross profit margin of the Group was approximately 16.32%, while it was approximately 12.81% in 2017.

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$318.809 million (2017: approximately HK$728.805 million), this i) represented approximately 56.26% of decrease over 2017 and ii) accounted for approximately 51.72% of the Group's revenue. The decrease was mainly attributable to that: (1) with the strong pharmaceutical distribution market layout in Fujian Province by a number of pharmaceutical groups with enormous manufacturers' resources, the competition of the pharmaceutical wholesale and distribution business as well as its talents was intensified; (2) the medical reform policy further controlled the pharmaceutical costs in public hospitals in Fujian Province and had reduced the overall size of the pharmaceutical distribution business in public hospitals. In terms of distribution policy, it also broke the original rules that essential medicines in public hospitals in Fujian Province were only distributed by 10 wholesale companies, thereby causing material adverse impact on the operation and its overall performance of the Group in the pharmaceutical wholesale and distribution business. Because of these, the result of this segment was turned into loss when compared with that of last year.

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 2018, 114 (2017: 120) 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$263.395 million (2017: approximately HK$257.035 million), representing approximately 2.47% of increase over 2017. Nevertheless, the loss of this segment was increased because the competition in retail business market was further intensified which led to an increase in promotion and labour costs as compared with the same period of last year, and hence the overall gross profit margin was decreased.

Hemodialysis treatment and consultancy service business

The revenue from this segment was approximately HK$34.205 million (2017: approximately HK$0.069 million) and the profit from this segment was approximately HK$12.455 million (2017: loss of HK$0.224 million). It was because the completion of the acquisition of this business was in March last year, therefore, the contribution of this business in last year was limited.

Other revenue

Other revenue, primarily including sundry income, bank interest income and rental income amounted to approximately HK$866,000 (2017: approximately HK$3.582 million) for the year ended 31 March 2018.

English translations of official Chinese names are for identification purpose only

Selling and distribution expenses

For the year ended 31 March 2018, selling and distribution expenses amounted to approximately HK$90.136 million (2017: approximately HK$95.226 million), representing an decrease of approximately 5.34% over the last year. The decrease in the selling and distribution expenses was due to the decrease in the turnover of the Group.

Administrative expenses

Administrative expenses for the year ended 31 March 2018 amounted to approximately HK$49.330 million (2017: approximately HK$45.223 million), representing an increase of approximately 9.10% over last year. The increase in the administration expenses was due to the development of the hemodialysis treatment and consultancy service business.

Finance costs

For the year ended 31 March 2018, the finance costs of the Group were approximately HK$14.699 million (2017: approximately HK$14.441 million), representing an increase of approximately 1.79% 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$55.586 million (2017: HK$25.792 million) during the year ended 31 March 2018.

The significant 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 change of government policy in distribution and wholesales for medicine to hospitals and the fierce competition in the retail business.

OUTLOOK AND FUTURE PROSPECTS

The 2014 New Good Supply Practice ("**New GSP**") strictly monitored product quality, consolidated the market and only the fittest can survive. Fujian Food and Drug Administration# (福建省食品藥品監督管理局) announced that Fujian Province Fuzhou City Huihao Pharmaceutical Company Limited# (福建省福州市惠好藥業有限公司), the operating subsidiary of the Group, was one of the 10 companies approved to conduct distribution business to public hospitals and public care institutions. Such regulations enhanced our competitiveness in the drug wholesale business in Fujian Province. Unfortunately, the regulations had pros and cons, they enhanced our competitiveness, but they also destroyed our competitiveness. At the beginning of the year, the relevant authority of Fujian Province repealed the regulations of permitting only 10 companies that are in compliance to distribute pharmaceutical products to hospitals, and required that each drug manufacturer can only entrust one drug wholesale enterprise to distribute all its tender-wining drugs. Such move posed tremendous changes in the wholesale and distribution business competition. At the same time, a number of large-scale pharmaceutical groups with strong manufacturers' resources are vigorously presented in the pharmaceutical distribution market in Fujian Province, intensifying competition in the drug wholesale and distribution business, and thereby resulting in that suffered a serious shrinkage in its wholesale and distribution business.

In future, the Group will centralize the resources originally used for wholesale and distribution business to develop our retail and medical related businesses.

LIQUIDITY AND FINANCIAL RESOURCES

The Group had cash and cash equivalents of approximately HK$91.922 million as at 31 March 2018 (2017: approximately HK$93.721 million). The Group recorded total current assets of approximately HK$272.894 million as at 31 March 2018 (2017: approximately HK$392.108 million) and total current liabilities of approximately HK$242.392 million as at 31 March 2018 (2017: approximately HK$322.555 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.126 as at 31 March 2018 (2017: approximately 1.216).

As at 31 March 2018, the Group's gearing ratio which was calculated based on outstanding debts (comprising other borrowing) less cash and cash equivalents over total equity (including all capital and reserves attributable to owners of the Company) was approximately 5.07% (2017: 26.04%).

CAPITAL COMMITMENTS

As at 31 March 2018, there were respective capital commitments construction contracted for but not provided in the consolidated financial statements amounting to HK$1.836 million (2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS

During the year, 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 2018 and 2017, 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 2018, the Group charged to the lender of other borrowing by way of first floating charge all its undertaking, property, assets, goodwill, rights and revenues, whatsoever and whosesoever, both present and future, including all book and other debts now and from time to time due or owing to the Company, the uncalled capital, goodwill and all intellectual properties and intellectual property rights, patents, patent applications, trademarks, service marks, trade names, registered designs, copyrights, licenses and ancillary and connected rights both present and future of the Company so that the charge hereby created shall be a continuing security by way of first floating.

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 2018, there was no convertible notes converted into the conversion shares because the convertible notes were fully redeemed during the year.

As at 31 March 2018, the total issued share capital of the Company was approximately HK$6.484 million representing 648,405,300 ordinary shares (2017: 648,405,300 ordinary shares).

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2018, the Group had 953 (2017: 1,112) full time employees (including directors) as shown in the following table:

Location	**Number of Staff**
Hong Kong	9
PRC	944

For the year ended 31 March 2018, staff costs (including directors emoluments) amounted to approximately HK$69.241 million (2017: approximately HK$90.034 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 2018, 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. Ho Man (appointed on 14 February 2018)
Mr. Fok Wai Ming Eddie (resigned on 14 February 2018)

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 and half-year report;

(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 two regular meetings in a year to review and discuss the 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 auditors at least once a year. The external auditors may request a meeting if they consider necessary.

During the year ended 31 March 2018, the Audit Committee held two meetings.

The Audit Committee has reviewed with management on the accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 March 2018. The Group's audited consolidated financial results for the year ended 31 March 2018 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
Mr. Ho Man (appointed on 14 February 2018)
Mr. Chiu King Yan (resigned on 14 February 2018)

The role and function of the Remuneration Committee include the determination of specific remuneration package of all executive Directors, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and making recommendations to the Board of the remuneration of non-executive Directors. The Remuneration Committee considers factors such as salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group and desirability of performance-based remuneration.

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 one meeting during the year ended 31 March 2018.

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. Wong Hon Kit
Dr. Liu Yongping
Mr. Ho Man (appointed on 14 February 2018)
Mr. Fok Wai Ming Eddie (resigned on 14 February 2018)

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 and review the arrangement for re-election of all the retiring Directors at the forthcoming general meetings of the Company and the terms of reference of the Nomination and Corporate Governance Committee.

The Nomination and Corporate Governance Committee held one meeting during the year ended 31 March 2018.

APPRECIATION

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

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

Hong Kong, 29 June 2018

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