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## **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)**

### **INTERIM RESULT ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2018**

The board (the “**Board**”) of directors (the “**Directors**”) of Wanjia Group Holdings Limited (the “**Company**”) announces the condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2018 (the “**Period**”) with the unaudited comparative figures for the corresponding period in 2017. The Group’s interim results for the Period are unaudited, but have been reviewed by the audit committee of the Company (the “**Audit Committee**”).

#### **HIGHLIGHTS**

- Turnover was approximately HK\$47.654 million (2017: approximately HK\$191.096 million), representing an decrease of approximately 75.06% as compared with the corresponding period during the six months ended 30 September 2017. The turnover decreased mainly due to the decrease in the turnover of the pharmaceutical wholesale and distribution business.
- Loss for the period from operations attributable to owners of the Company was approximately HK\$57.155 million (2017: approximately HK\$29.328 million). The increase in loss was mainly due to an impairment loss on goodwill of HK\$35.462 million provided for the six months ended 30 September 2018.
- The Group had total cash and cash equivalents of approximately HK\$24.032 million as at 30 September 2018 (31 March 2018: approximately HK\$91.922 million).
- The basic and diluted loss per share was approximately HK\$7.54 cents (2017: Basic and diluted loss per share of approximately HK\$4.37 cents).
- The directors do not recommend the payment of an interim dividend (2017: Nil).

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 September 2018

|                                                                                             |       | Six months ended<br>30 September |             |
|---------------------------------------------------------------------------------------------|-------|----------------------------------|-------------|
|                                                                                             |       | 2018                             | 2017        |
|                                                                                             |       | HK\$'000                         | HK\$'000    |
|                                                                                             |       |                                  | (restated)  |
|                                                                                             | Notes | (Unaudited)                      | (Unaudited) |
| <b>Continuing operations</b>                                                                |       |                                  |             |
| Turnover                                                                                    | 4 & 5 | 47,654                           | 191,096     |
| Cost of sales                                                                               |       | (41,302)                         | (175,526)   |
| <b>Gross profit</b>                                                                         |       | 6,352                            | 15,570      |
| Other revenue and income                                                                    |       | (268)                            | 2,639       |
| Selling and distribution expenses                                                           |       | (1,933)                          | (7,178)     |
| Administrative expenses                                                                     |       | (9,775)                          | (15,462)    |
| Impairment loss on goodwill                                                                 |       | (35,462)                         | –           |
| <b>Loss from operations</b>                                                                 | 6     | (41,086)                         | (4,431)     |
| Finance costs                                                                               | 7     | (7,553)                          | (6,900)     |
| <b>Loss before taxation</b>                                                                 |       | (48,639)                         | (11,331)    |
| Taxation                                                                                    | 8     | (805)                            | (1,689)     |
| <b>Loss for the period from continuing operations attributable to owners of the Company</b> |       | (49,444)                         | (13,020)    |
| <b>Discontinued operation</b>                                                               |       |                                  |             |
| Loss for the period from discontinued operation attributable to owners of the Company       | 9     | (7,711)                          | (16,308)    |
| <b>Loss for the period attributable to owners of the Company</b>                            |       | (57,155)                         | (29,328)    |
| <b>Other comprehensive loss for the period, net of tax</b>                                  |       |                                  |             |
| Items that may be reclassified subsequently to profit or loss                               |       |                                  |             |
| Exchange differences arising on translating foreign operations                              |       | (25,490)                         | 7,177       |
| <b>Total comprehensive loss for the period</b>                                              |       | (82,645)                         | (22,151)    |

|                                                                 |                                                   | Six months ended |                 |
|-----------------------------------------------------------------|---------------------------------------------------|------------------|-----------------|
|                                                                 |                                                   | 30 September     |                 |
|                                                                 |                                                   | 2018             | 2017            |
|                                                                 |                                                   | <i>HK\$'000</i>  | <i>HK\$'000</i> |
|                                                                 |                                                   |                  | (restated)      |
| <i>Note</i>                                                     | (Unaudited)                                       | (Unaudited)      |                 |
| <b>Loss for the period attributable to:</b>                     |                                                   |                  |                 |
| Owners of the Company                                           |                                                   |                  |                 |
|                                                                 | – From continuing operating                       | (41,168)         | (12,045)        |
|                                                                 | – From discontinued operating                     | (7,696)          | (16,276)        |
| Non-controlling interests                                       |                                                   |                  |                 |
|                                                                 | – From continuing operating                       | (8,276)          | (975)           |
|                                                                 | – From discontinued operating                     | (15)             | (32)            |
|                                                                 |                                                   | <u>(57,155)</u>  | <u>(29,328)</u> |
| <b>Total comprehensive loss for the period attributable to:</b> |                                                   |                  |                 |
| Owners of the Company                                           |                                                   |                  |                 |
|                                                                 | – From continuing operating                       | (59,514)         | (15,109)        |
|                                                                 | – From discontinued operating                     | (14,878)         | (3,777)         |
| Non-controlling interests                                       |                                                   |                  |                 |
|                                                                 | – From continuing operating                       | (6,602)          | (2,612)         |
|                                                                 | – From discontinued operating                     | (1,651)          | (653)           |
|                                                                 |                                                   | <u>(82,645)</u>  | <u>(22,151)</u> |
| <b>Loss per share attributable to owners of the Company</b>     |                                                   |                  |                 |
| From continuing and discontinued operations                     |                                                   |                  |                 |
|                                                                 | – Basic and diluted ( <i>HK cents per share</i> ) | 10 <u>7.54</u>   | <u>4.37</u>     |
| From continuing operations                                      |                                                   |                  |                 |
|                                                                 | – Basic and diluted ( <i>HK cents per share</i> ) | <u>6.35</u>      | <u>1.86</u>     |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 September 2018

|                                                          |       | 30 September<br>2018<br><i>HK\$'000</i><br>(Unaudited) | 31 March<br>2018<br><i>HK\$'000</i><br>(Audited) |
|----------------------------------------------------------|-------|--------------------------------------------------------|--------------------------------------------------|
|                                                          | Notes |                                                        |                                                  |
| <b>Non-current assets</b>                                |       |                                                        |                                                  |
| Property, plant and equipment                            |       | 12,665                                                 | 26,544                                           |
| Prepaid lease payments                                   |       | –                                                      | 10,958                                           |
| Investment properties                                    |       | –                                                      | 9,789                                            |
| Goodwill                                                 | 11    | 90,920                                                 | 136,623                                          |
|                                                          |       | <u>103,585</u>                                         | <u>183,914</u>                                   |
| <b>Current assets</b>                                    |       |                                                        |                                                  |
| Inventories                                              |       | 6,466                                                  | 62,136                                           |
| Prepaid lease payments                                   |       | –                                                      | 383                                              |
| Trade and other receivables and deposits                 | 12    | 99,064                                                 | 118,453                                          |
| Cash and cash equivalents                                |       | 24,032                                                 | 91,922                                           |
|                                                          |       | <u>129,562</u>                                         | <u>272,894</u>                                   |
| Assets of disposal group classified<br>as held for sales | 9     | <u>139,821</u>                                         | <u>–</u>                                         |
| Total current assets                                     |       | <u>269,383</u>                                         | <u>272,894</u>                                   |
| <b>Total assets</b>                                      |       | <u><u>372,968</u></u>                                  | <u><u>456,808</u></u>                            |
| <b>Capital and reserves</b>                              |       |                                                        |                                                  |
| Share capital                                            | 13    | 6,484                                                  | 6,484                                            |
| Reserves                                                 |       | <u>78,399</u>                                          | <u>152,791</u>                                   |
| <b>Equity attributable to owners of<br/>the Company</b>  |       | <u>84,883</u>                                          | <u>159,275</u>                                   |
| <b>Non-controlling interests</b>                         |       | <u>46,888</u>                                          | <u>55,141</u>                                    |
| <b>Total equity</b>                                      |       | <u>131,771</u>                                         | <u>214,416</u>                                   |

|                                                               |              | <b>30 September</b> | 31 March  |
|---------------------------------------------------------------|--------------|---------------------|-----------|
|                                                               |              | <b>2018</b>         | 2018      |
|                                                               |              | <b>HK\$'000</b>     | HK\$'000  |
|                                                               | <i>Notes</i> | <b>(Unaudited)</b>  | (Audited) |
| <b>Current liabilities</b>                                    |              |                     |           |
| Trade and other payables                                      | 14           | <b>42,960</b>       | 137,268   |
| Amount due to a related party                                 | 15           | <b>2,000</b>        | –         |
| Amount due to a director                                      | 16           | –                   | 2,000     |
| Other borrowings                                              | 17           | <b>101,500</b>      | 100,000   |
| Tax payables                                                  |              | <b>689</b>          | 3,124     |
|                                                               |              | <b>147,149</b>      | 242,392   |
| Liabilities of disposal group classified<br>as held for sales | 9            | <b>94,048</b>       | –         |
| <b>Total current liabilities</b>                              |              | <b>241,197</b>      | 242,392   |
| <b>Total equity and liabilities</b>                           |              | <b>372,968</b>      | 456,808   |
| <b>Net current assets</b>                                     |              | <b>28,186</b>       | 30,502    |
| <b>Total assets less current liabilities</b>                  |              | <b>131,771</b>      | 214,416   |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2018

|                                                      | Attributable to owners of the Company |                           |                           |                                  |                                 |                               |                                       |                                  |                       |         | Non-controlling interests | Total |
|------------------------------------------------------|---------------------------------------|---------------------------|---------------------------|----------------------------------|---------------------------------|-------------------------------|---------------------------------------|----------------------------------|-----------------------|---------|---------------------------|-------|
|                                                      | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Other reserve<br>HK\$'000 | Contribution reserve<br>HK\$'000 | Translation reserve<br>HK\$'000 | Statutory reserve<br>HK\$'000 | Convertible notes reserve<br>HK\$'000 | (Accumulated losses)<br>HK\$'000 | Sub-total<br>HK\$'000 |         |                           |       |
| At 1 April 2017 (audited)                            | 6,484                                 | (7,653)                   | (28,145)                  | 866,811                          | (14,748)                        | 32,207                        | 7,695                                 | (674,540)                        | 188,111               | 49,673  | 237,784                   |       |
| Loss for the period                                  | -                                     | -                         | -                         | -                                | -                               | -                             | -                                     | (28,321)                         | (28,321)              | (1,007) | (29,328)                  |       |
| Other comprehensive loss for the period              | -                                     | -                         | -                         | -                                | 9,435                           | -                             | -                                     | -                                | 9,435                 | (2,258) | 7,177                     |       |
| Total comprehensive loss for the period              | -                                     | -                         | -                         | -                                | 9,435                           | -                             | -                                     | (28,321)                         | (18,886)              | (3,265) | (22,151)                  |       |
| Transfer of reserve upon expiry of convertible notes | -                                     | -                         | -                         | -                                | -                               | -                             | (7,695)                               | 7,695                            | -                     | -       | -                         |       |
| Extension of convertible notes                       | -                                     | -                         | -                         | -                                | -                               | -                             | 1,000                                 | -                                | 1,000                 | -       | 1,000                     |       |
| Deferred taxation of convertible notes               | -                                     | -                         | -                         | -                                | -                               | -                             | (426)                                 | -                                | (426)                 | -       | (426)                     |       |
| At 30 September 2017 (unaudited)                     | 6,484                                 | (7,653)                   | (28,145)                  | 866,811                          | (5,313)                         | 32,207                        | 574                                   | (695,166)                        | 169,799               | 46,408  | 216,207                   |       |

  

|                                         | Attributable to owners of the Company |                           |                           |                                  |                                 |                               |                                       |                                |                       |         | Non-controlling interests | Total |
|-----------------------------------------|---------------------------------------|---------------------------|---------------------------|----------------------------------|---------------------------------|-------------------------------|---------------------------------------|--------------------------------|-----------------------|---------|---------------------------|-------|
|                                         | Share capital<br>HK\$'000             | Share premium<br>HK\$'000 | Other reserve<br>HK\$'000 | Contribution reserve<br>HK\$'000 | Translation reserve<br>HK\$'000 | Statutory reserve<br>HK\$'000 | Convertible notes reserve<br>HK\$'000 | (Accumulated loss)<br>HK\$'000 | Sub-total<br>HK\$'000 |         |                           |       |
| At 1 April 2018 (audited)               | 6,484                                 | (7,653)                   | (28,145)                  | 866,811                          | 12,002                          | 33,672                        | -                                     | (723,896)                      | 159,275               | 55,141  | 214,416                   |       |
| Loss for the period                     | -                                     | -                         | -                         | -                                | -                               | -                             | -                                     | (48,864)                       | (48,864)              | (8,291) | (57,155)                  |       |
| Other comprehensive loss for the period | -                                     | -                         | -                         | -                                | (25,528)                        | -                             | -                                     | -                              | (25,528)              | 38      | (25,490)                  |       |
| Total comprehensive loss for the period | -                                     | -                         | -                         | -                                | (25,528)                        | -                             | -                                     | (48,864)                       | (74,392)              | (8,253) | (82,645)                  |       |
| At 30 September 2018 (unaudited)        | 6,484                                 | (7,653)                   | (28,145)                  | 866,811                          | (13,526)                        | 33,672                        | -                                     | (772,760)                      | 84,883                | 46,888  | 131,771                   |       |

# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

*For the six months ended 30 September 2018*

|                                                        | Six months ended     |                      |
|--------------------------------------------------------|----------------------|----------------------|
|                                                        | 30 September         |                      |
|                                                        | 2018                 | 2017                 |
|                                                        | <i>HK\$'000</i>      | <i>HK\$'000</i>      |
|                                                        | (Unaudited)          | (Unaudited)          |
| Net cash used in operating activities                  | (16,824)             | (19,469)             |
| Net cash (used in)/generated from investing activities | (45,679)             | 150                  |
| Net cash generated from/(used in) financing activities | <u>1,500</u>         | <u>(51,360)</u>      |
| Net decrease in cash and cash equivalents              | (61,003)             | (70,679)             |
| Cash and cash equivalents at 1 April                   | 91,922               | 93,721               |
| Effect of foreign currency exchange rate changes       | <u>(6,887)</u>       | <u>7,981</u>         |
| Cash and cash equivalents at 30 September              | <u><u>24,032</u></u> | <u><u>31,023</u></u> |

# NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 September 2018*

## 1 Corporate information

The Company was incorporated as an exempted Company with limited liabilities in the Cayman Islands on 9 July 2012. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands and the principal place of business of the Company is located at Room 1902, 19th Floor, No. 101, Kings' Road, Hong Kong.

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

## 2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2018 (the "**Interim Financial Statements**") have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), which is a collective term that includes all applicable individual HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations (the "**Interpretations**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Listing Rules of the Stock Exchange (the "**Listing Rules**"). The Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments (including derivative financial instruments) and investment properties, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Other than the changes in accounting policies resulting from application of new HKFRSs, in preparing these Interim Financial Statements, the significant judgments made by management in applying the Group's accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2018.

### 3. Significant Accounting Policies

The Group has adopted the following revised HKFRSs for the first time for the current period's Interim Financial Statements.

|                       |                                                                            |
|-----------------------|----------------------------------------------------------------------------|
| HKFRS 9               | Financial Instruments                                                      |
| HKFRS 15              | Revenue from Contracts with Customers and<br>the related Amendments        |
| HK (IFRIC)-Int 22     | Foreign Currency Transactions and Advance Consideration                    |
| Amendments to HKFRS 2 | Classification and Measurement of Share-based<br>Payment Transactions      |
| Amendments to HKFRS 4 | Applying HKFRS 9 Financial Instruments with<br>HKFRS 4 Insurance Contracts |
| Amendments to HKAS 28 | As part of the Annual Improvements to HKFRSs 2014–2016 Cycle               |
| Amendments to HKAS 40 | Transfers of Investment Property                                           |

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

#### ***3.1 Impacts and changes in accounting policies of application on HKFRS15 Revenue from Contracts with Customers***

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 Revenue, HKAS 11 Construction Contracts and the related interpretations. The Group recognises revenue from the following major sources:

- Provision of services
- Interest income

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this standard recognised at the date of initial application, 1 April 2018. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 April 2018 and has used the practical expedient for all contract modifications that occurred before the date of initial application, the aggregate effect of all of the modifications was reflected as the date of initial application. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 Revenue and HKAS 11 Construction Contracts and the related interpretations.

### *3.1.1 Key changes in accounting policies resulting from application of HKFRS 15*

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation.

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met

- the customer simultaneously receives and consumes the benefits provided by the Group’s performance as the Group performs;
- the Group’s performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group’s performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

### *3.1.2 Impacts of application on HKFRS 15*

The Group's business model is straight forward and its contracts with customers for the provision of hospital service include only single performance obligation. The Group has concluded that revenue from sale should be recognised at the point in time when a customer obtains control. The Group has concluded that the initial application of HKFRS 15 does not have a significant impact on the Group's revenue recognition.

## **3.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments**

In the current period, the Group has applied HKFRS 9 Financial Instruments and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 April 2018 (date of initial application) with the cumulative effect of initial application recognised at the date of initial application and has not applied the requirements to instruments that have already been derecognised as at 1 April 2018.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

### *3.2.1 Key changes in accounting policies resulting from application of HKFRS 9*

#### Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

#### Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and bills receivables, other receivables). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL (“**12m ECL**”) represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group’s historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

#### Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

#### Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade and bills receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

As at 1 April 2018, the Directors reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information that is insignificant impact on the Group.

## **4. Turnover**

The principal activities of the Group are pharmaceutical wholesale and distribution business, pharmaceutical retail chain business and provides hemodialysis treatment and consultancy service in the PRC.

## 5. Segment information

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

For the pharmaceutical retail chain business, the management considered that it is an operating segment and is presented as discontinued operation of the Group.

For more detail the discontinued operation, please refer to Note 9.

Information regarding the Group's reportable segments is presented below.

|                                           | Continuing operations                                                                         |                                                                                                    |                                                |
|-------------------------------------------|-----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------|------------------------------------------------|
|                                           | Pharmaceutical<br>wholesale and<br>distribution<br>business<br>(Unaudited)<br><i>HK\$'000</i> | Hemodialysis<br>treatment and<br>consultancy<br>service business<br>(Unaudited)<br><i>HK\$'000</i> | Consolidated<br>(Unaudited)<br><i>HK\$'000</i> |
| <i>Six months ended 30 September 2018</i> |                                                                                               |                                                                                                    |                                                |
| <b>Turnover</b>                           |                                                                                               |                                                                                                    |                                                |
| External sales                            | <u>43,914</u>                                                                                 | <u>3,740</u>                                                                                       | <u>47,654</u>                                  |
| <b>Results</b>                            |                                                                                               |                                                                                                    |                                                |
| Segment results                           | <u>(3,572)</u>                                                                                | <u>1,981</u>                                                                                       | <u>(1,591)</u>                                 |
| Impairment loss on goodwill               |                                                                                               |                                                                                                    | (35,462)                                       |
| Unallocated corporate expenses            |                                                                                               |                                                                                                    | <u>(4,033)</u>                                 |
| Loss from operations                      |                                                                                               |                                                                                                    | (41,086)                                       |
| Finance costs                             |                                                                                               |                                                                                                    | <u>(7,553)</u>                                 |
| Loss before taxation                      |                                                                                               |                                                                                                    | (48,639)                                       |
| Taxation                                  |                                                                                               |                                                                                                    | <u>(805)</u>                                   |
| Loss for the period                       |                                                                                               |                                                                                                    | <u><u>(49,444)</u></u>                         |

|                                           | Continuing operations                                       |                                                                  |                            |
|-------------------------------------------|-------------------------------------------------------------|------------------------------------------------------------------|----------------------------|
|                                           | Pharmaceutical<br>wholesale and<br>distribution<br>business | Hemodialysis<br>treatment and<br>consultancy<br>service business | Consolidated<br>(restated) |
|                                           | (Unaudited)<br>HK\$'000                                     | (Unaudited)<br>HK\$'000                                          | (Unaudited)<br>HK\$'000    |
| <i>Six months ended 30 September 2017</i> |                                                             |                                                                  |                            |
| <b>Turnover</b>                           |                                                             |                                                                  |                            |
| External sales                            | <u>180,535</u>                                              | <u>10,561</u>                                                    | <u>191,096</u>             |
| <b>Results</b>                            |                                                             |                                                                  |                            |
| Segment results                           | <u>(1,458)</u>                                              | <u>464</u>                                                       | (994)                      |
| Unallocated corporate expenses            |                                                             |                                                                  | <u>(3,437)</u>             |
| Loss from operations                      |                                                             |                                                                  | (4,431)                    |
| Finance costs                             |                                                             |                                                                  | <u>(6,900)</u>             |
| Loss before taxation                      |                                                             |                                                                  | (11,331)                   |
| Taxation                                  |                                                             |                                                                  | <u>(1,689)</u>             |
| Loss for the period                       |                                                             |                                                                  | <u><u>(13,020)</u></u>     |

*Note:*

No inter-segment sales under pharmaceutical wholesales and distribution business for six months ended 30 September 2018 (2017: approximately HK\$3.074 million). Inter-segment sales are charged at arm's length and fully eliminated under consolidation.

***Segment assets and liabilities***

|                                                   | <b>Continuing operations</b>                                                              |                                                                                                | <b>Discontinuing operations</b>                                         |                                         |
|---------------------------------------------------|-------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------|-----------------------------------------|
|                                                   | <b>Pharmaceutical<br/>wholesale and<br/>distribution<br/>business<br/><i>HK\$'000</i></b> | <b>Hemodialysis<br/>treatment and<br/>consultancy<br/>service business<br/><i>HK\$'000</i></b> | <b>Pharmaceutical<br/>retail chain<br/>business<br/><i>HK\$'000</i></b> | <b>Consolidated<br/><i>HK\$'000</i></b> |
| <b><i>As at 30 September 2018 (unaudited)</i></b> |                                                                                           |                                                                                                |                                                                         |                                         |
| <b>Assets</b>                                     |                                                                                           |                                                                                                |                                                                         |                                         |
| Segment assets                                    | 104,228                                                                                   | 36,361                                                                                         | 139,821                                                                 | 280,410                                 |
| Goodwill                                          |                                                                                           | 90,920                                                                                         |                                                                         | 90,920                                  |
| Unallocated corporate assets                      |                                                                                           |                                                                                                |                                                                         | 1,638                                   |
| Consolidated total assets                         |                                                                                           |                                                                                                |                                                                         | <b>372,968</b>                          |
| <b>Liabilities</b>                                |                                                                                           |                                                                                                |                                                                         |                                         |
| Segment liabilities                               | 25,087                                                                                    | 5,667                                                                                          | 94,048                                                                  | 124,802                                 |
| Other borrowing                                   |                                                                                           |                                                                                                |                                                                         | 101,500                                 |
| Amount due to a related party                     |                                                                                           |                                                                                                |                                                                         | 2,000                                   |
| Unallocated corporate liabilities                 |                                                                                           |                                                                                                |                                                                         | 12,895                                  |
| Consolidated total liabilities                    |                                                                                           |                                                                                                |                                                                         | <b>241,197</b>                          |
| <b><i>As at 31 March 2018 (audited)</i></b>       |                                                                                           |                                                                                                |                                                                         |                                         |
| <b>Assets</b>                                     |                                                                                           |                                                                                                |                                                                         |                                         |
| Segment assets                                    | 119,429                                                                                   | 65,646                                                                                         | 134,871                                                                 | 319,946                                 |
| Goodwill                                          | –                                                                                         | 136,623                                                                                        | –                                                                       | 136,623                                 |
| Unallocated corporate assets                      |                                                                                           |                                                                                                |                                                                         | 239                                     |
| Consolidated total assets                         |                                                                                           |                                                                                                |                                                                         | <b>456,808</b>                          |
| <b>Liabilities</b>                                |                                                                                           |                                                                                                |                                                                         |                                         |
| Segment liabilities                               | 30,156                                                                                    | 20,982                                                                                         | 86,747                                                                  | 137,885                                 |
| Other borrowing                                   |                                                                                           |                                                                                                |                                                                         | 100,000                                 |
| Amount due to a director                          |                                                                                           |                                                                                                |                                                                         | 2,000                                   |
| Unallocated corporate liabilities                 |                                                                                           |                                                                                                |                                                                         | 2,507                                   |
| Consolidated total liabilities                    |                                                                                           |                                                                                                |                                                                         | <b>242,392</b>                          |

## 6. Loss from operations

|                                                          | Six months ended |                 |
|----------------------------------------------------------|------------------|-----------------|
|                                                          | 30 September     |                 |
|                                                          | 2018             | 2017            |
|                                                          | <i>HK\$'000</i>  | <i>HK\$'000</i> |
|                                                          |                  | (restated)      |
|                                                          | (Unaudited)      | (Unaudited)     |
| <b>Continuing operations:</b>                            |                  |                 |
| Loss from operations has been arrived at after charging: |                  |                 |
| Depreciation of property, plant and equipment            | 1,046            | 1,920           |
| Operating lease rentals in respect of land and building  | 692              | 1,607           |
| Impairment loss on goodwill                              | 35,462           | –               |
| Cost of inventories sold                                 | 41,302           | 175,526         |
| Staff costs (including directors' remuneration)          | <u>5,871</u>     | <u>8,336</u>    |

## 7. Finance costs

|                               | Six months ended |                 |
|-------------------------------|------------------|-----------------|
|                               | 30 September     |                 |
|                               | 2018             | 2017            |
|                               | <i>HK\$'000</i>  | <i>HK\$'000</i> |
|                               |                  | (restated)      |
|                               | (Unaudited)      | (Unaudited)     |
| <b>Continuing operations:</b> |                  |                 |
| Interest on:                  |                  |                 |
| – Bank borrowing              | –                | 1,412           |
| – Other borrowing             | 7,553            | –               |
| – Convertible notes           | <u>–</u>         | <u>5,488</u>    |
|                               | <u>7,553</u>     | <u>6,900</u>    |

## 8. Taxation

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2017: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the pharmaceutical wholesale and distribution business, pharmaceutical retail chain businesses and provides hemodialysis treatment and consultancy service in the PRC (2017: approximately 25%).

## 9. Discontinued operation

On 23 August 2018, the board of the Company decided to disposal the pharmaceutical retail business due to its weak profitability. The disposal was completed on 15 November 2018.

The loss for the six months ended 30 September 2018 and 2017 from discontinued operations is set out below. The comparative figures in the unaudited condensed consolidated statement of profit or loss and the unaudit condensed consolidated statement of comprehensive income have been restated to represent the pharmaceutical retail business as a discontinued operation.

Analysis of the results of the discontinued operation is set out below:

|                                                             | <b>Six months ended</b> |                    |
|-------------------------------------------------------------|-------------------------|--------------------|
|                                                             | <b>30 September</b>     |                    |
|                                                             | <b>2018</b>             | <b>2017</b>        |
|                                                             | <b>HK\$'000</b>         | <b>HK\$'000</b>    |
|                                                             | <b>(Unaudited)</b>      | <b>(Unaudited)</b> |
| <b>Turnover</b>                                             | <b>130,325</b>          | 121,673            |
| Cost of sales                                               | <u>(93,399)</u>         | <u>(92,492)</u>    |
| <b>Gross profits</b>                                        | <b>36,926</b>           | 29,181             |
| Other revenue and income                                    | <b>1,428</b>            | 1,019              |
| Selling and distribution expenses                           | <b>(37,442)</b>         | (35,466)           |
| Administrative expenses                                     | <u><b>(8,623)</b></u>   | <u>(11,038)</u>    |
| <b>Loss from operation</b>                                  | <b>(7,711)</b>          | (16,304)           |
| Finance costs                                               | <u>–</u>                | <u>(4)</u>         |
| <b>Loss before taxation</b>                                 | <b>(7,711)</b>          | (16,308)           |
| Taxation                                                    | <u>–</u>                | <u>–</u>           |
| <b>Loss from discontinuing operation</b>                    | <u><b>(7,711)</b></u>   | <u>(16,308)</u>    |
| <b>Loss for the period attributable to</b>                  |                         |                    |
| Owners of the Company                                       | <b>(7,696)</b>          | (16,276)           |
| Non-controlling interests                                   | <u><b>(15)</b></u>      | <u>(32)</u>        |
|                                                             | <u><b>(7,711)</b></u>   | <u>(16,308)</u>    |
| <b>Loss per share attributable to owners of the Company</b> |                         |                    |
| <b>From discontinued operations</b>                         |                         |                    |
| – Basic and diluted ( <i>HK cents per share</i> )           | <u><b>1.19</b></u>      | <u>2.51</u>        |

The major classes of assets and liabilities of the discontinued operations classified as held for sales as at 30 September 2018 are as follow:

|                                                                             | <b>30 September<br/>2018<br/>HK\$'000<br/>(Unaudited)</b> |
|-----------------------------------------------------------------------------|-----------------------------------------------------------|
| <b>Assets</b>                                                               |                                                           |
| Property, plant and equipment                                               | 6,514                                                     |
| Prepaid lease payments                                                      | 10,383                                                    |
| Investment properties                                                       | 13,102                                                    |
| Inventories                                                                 | 51,238                                                    |
| Trade and other receivables and deposits                                    | 56,659                                                    |
| Cash and cash equivalents                                                   | 1,925                                                     |
|                                                                             | <hr/>                                                     |
| Assets classified as held for sales                                         | <b>139,821</b>                                            |
|                                                                             | <hr/> <hr/>                                               |
| <b>Liabilities</b>                                                          |                                                           |
| Trade and other payables                                                    | 93,175                                                    |
| Tax payables                                                                | 873                                                       |
|                                                                             | <hr/>                                                     |
| Liabilities directly associated with the assets classified as held for sale | <b>94,048</b>                                             |
|                                                                             | <hr/> <hr/>                                               |
| Net assets directly associated with the disposal group                      | <b>45,773</b>                                             |
|                                                                             | <hr/> <hr/>                                               |

Loss before taxation from discontinued operations is arrived at after charging the following:

|                                                         | <b>Six months ended<br/>30 September<br/>2018<br/>HK\$'000<br/>(Unaudited)</b> | <b>2017<br/>HK\$'000<br/>(Unaudited)</b> |
|---------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------|
| Depreciation of property, plant and equipment           | 1,471                                                                          | 1,320                                    |
| Operating lease rentals in respect of land and building | 12,007                                                                         | 11,405                                   |
| Cost of inventories sold                                | 93,399                                                                         | 92,492                                   |
| Staff costs (including directors' remuneration)         | <b>20,684</b>                                                                  | 20,956                                   |
|                                                         | <hr/> <hr/>                                                                    | <hr/> <hr/>                              |

Analysis of the cash flow of discontinued operation is as follow:

|                                                        | <b>Six months ended</b> |                       |
|--------------------------------------------------------|-------------------------|-----------------------|
|                                                        | <b>30 September</b>     |                       |
|                                                        | <b>2018</b>             | <b>2017</b>           |
|                                                        | <b>HK\$'000</b>         | <b>HK\$'000</b>       |
|                                                        | <b>(Unaudited)</b>      | <b>(Unaudited)</b>    |
| Net cash (used in)/generated from operating activities | (85)                    | 7,492                 |
| Net cash generated from investing activities           | –                       | –                     |
| Net cash generated from/(used in) financing activities | <u>687</u>              | <u>(14,485)</u>       |
| Net cash inflow/(outflow)                              | <u><b>602</b></u>       | <u><b>(6,993)</b></u> |

The calculations of basic and diluted earnings per share from the discontinued operation is based on:

|                                                                                                                   | <b>Six months ended</b>   |                    |
|-------------------------------------------------------------------------------------------------------------------|---------------------------|--------------------|
|                                                                                                                   | <b>30 September</b>       |                    |
|                                                                                                                   | <b>2018</b>               | <b>2017</b>        |
|                                                                                                                   | <b>HK\$'000</b>           | <b>HK\$'000</b>    |
|                                                                                                                   | <b>(Unaudited)</b>        | <b>(Unaudited)</b> |
| Loss attributable to ordinary equity holders of the parent from the discontinued operation                        | <b>1.19</b>               | 2.51               |
| Weighted average number of ordinary shares in issue during the period in the basic earnings per share calculation | <b>648,405,300</b>        | 648,405,300        |
| Weighted average number of ordinary shares used in the diluted earnings per share calculation                     | <u><b>648,405,300</b></u> | <u>648,405,300</u> |

#### 10. Loss per share

The calculation of basic loss per share for the six months ended 30 September 2018 was based on the loss attributable to owners of the Company of approximately HK\$48.864 million (six months ended 30 September 2017: approximately HK\$28.321 million for the basic loss per share) and on the weighted average number of ordinary shares of 648,405,300 shares (2017: 648,405,300 shares).

Diluted loss per share were same as the basic loss per share as there were no potential dilutive ordinary shares in existence during the six months ended 30 September 2018 and 2017.

## 11. Goodwill

|                                                   | 30 September<br>2018<br><i>HK\$'000</i><br>(Unaudited) | 31 March<br>2018<br><i>HK\$'000</i><br>(Audited) |
|---------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|
| <b>Cost</b>                                       |                                                        |                                                  |
| Balance b/f                                       | 922,147                                                | 909,040                                          |
| Exchange realignment                              | (11,816)                                               | 13,107                                           |
| Balance c/f                                       | 910,331                                                | 922,147                                          |
| <b>Accumulated impairment losses</b>              |                                                        |                                                  |
| Balance b/f                                       | 785,524                                                | 785,169                                          |
| Impairment loss recognised during the period/year | 35,462                                                 | 336                                              |
| Exchange realignment                              | (1,575)                                                | 19                                               |
| Balance c/f                                       | 819,411                                                | 785,524                                          |
| <b>Carrying amount</b>                            |                                                        |                                                  |
| Balance c/f                                       | 90,920                                                 | 136,623                                          |

Goodwill arising on an acquisition of Mingxi County Trading Company Limited<sup>#</sup> (明溪縣佳維貿易有限公司) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

Particular of impairment testing on goodwill is disclosed below:

Goodwill has been allocated for impairment testing purposes to the following cash-generating unit (“CGU”):

The recoverable amount of this CGU is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-years period and with discount rates of 13.36% (31 March 2018: 14.72%) per annum. Cash flow projections during the budgeted period are based on the same expected gross margins throughout the budget period. The management considers that it is prudent and appropriate to adopt 0% (31 March 2018: 0%) annual growth rate of cash flow projections for each flows beyond the budgeted period. Management believes that the recoverable amount of the CGU was lower than its carrying amount in view of management’s expectations for the market development. Management determined the budgeted gross margin based on past performance and its expectations for the market development.

Thus, the Group has appointed an independent valuer, who is not connected with the Group, to provide the valuation on the recoverable amount of the cash generating units based on the value-in-use calculation. Directors of the Group based on the valuation and recognized an impairment loss on goodwill of approximately HK\$35,462,000 in the consolidated statement of profit or loss and other comprehensive income.

<sup>#</sup> English translations of official Chinese names are for identification purpose only

## 12. Trade and other receivables and deposits

|                                                                             | 30 September<br>2018<br><i>HK\$'000</i><br>(Unaudited) | 31 March<br>2018<br><i>HK\$'000</i><br>(Audited) |
|-----------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|
| Trade receivables, net                                                      | 25,005                                                 | 92,820                                           |
| Bill receivables                                                            | –                                                      | 249                                              |
| Prepayments and deposits paid                                               | 5,994                                                  | 15,126                                           |
| Other receivables                                                           | 68,065                                                 | 14,428                                           |
|                                                                             | <b>99,064</b>                                          | 122,623                                          |
| <i>Less: Impairment loss recognised in respect of<br/>other receivables</i> | –                                                      | (4,170)                                          |
|                                                                             | <b>99,064</b>                                          | <b>118,453</b>                                   |

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

|                                                                             | 30 September<br>2018<br><i>HK\$'000</i><br>(Unaudited) | 31 March<br>2018<br><i>HK\$'000</i><br>(Audited) |
|-----------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|
| 0 to 90 days                                                                | 20,203                                                 | 58,396                                           |
| 91 to 180 days                                                              | 3,710                                                  | 21,232                                           |
| 181 to 365 days                                                             | 1,493                                                  | 13,192                                           |
| Over 365 days                                                               | 3,245                                                  | 7,070                                            |
|                                                                             | <b>28,651</b>                                          | 99,890                                           |
| <i>Less: Impairment loss recognised in respect of<br/>trade receivables</i> | (3,646)                                                | (7,070)                                          |
|                                                                             | <b>25,005</b>                                          | <b>92,820</b>                                    |

### 13. Share capital

|                                                                            | Number of<br>shares | Nominal value<br>of ordinary<br>shares<br>HK\$'000 |
|----------------------------------------------------------------------------|---------------------|----------------------------------------------------|
| <i>Authorised:</i>                                                         |                     |                                                    |
| Ordinary shares of HK\$0.01 each at 31 March 2018 and<br>30 September 2018 | 2,000,000,000       | 20,000                                             |
| <i>Issued and fully paid:</i>                                              |                     |                                                    |
| Ordinary shares of HK\$0.01 each at 31 March 2018 and<br>30 September 2018 | 648,405,300         | 6,484                                              |

### 14. Trade and other payables

|                             | 30 September<br>2018<br>HK\$'000<br>(Unaudited) | 31 March<br>2018<br>HK\$'000<br>(Audited) |
|-----------------------------|-------------------------------------------------|-------------------------------------------|
| Trade payables              | 18,128                                          | 92,597                                    |
| Accruals and other payables | 14,360                                          | 25,834                                    |
| Receipt in advance          | 10,472                                          | 18,837                                    |
|                             | <b>42,960</b>                                   | <b>137,268</b>                            |

The credit period on purchases of certain goods is ranged from 30 to 90 days. The following is an aged analysis of trade payables based on invoice date at the end of the reporting period:

|                 | 30 September<br>2018<br>HK\$'000<br>(Unaudited) | 31 March<br>2018<br>HK\$'000<br>(Audited) |
|-----------------|-------------------------------------------------|-------------------------------------------|
| 0 to 90 days    | 5,036                                           | 60,454                                    |
| 91 to 180 days  | 2,569                                           | 8,911                                     |
| 181 to 365 days | 2,016                                           | 5,817                                     |
| Over 365 days   | 8,507                                           | 17,415                                    |
|                 | <b>18,128</b>                                   | <b>92,597</b>                             |

**15. Amount due to a related party**

Amount due to a related party is unsecured, interest-free and repayable on demand. The related party is the spouse of the executive director of the Company Mr. Wang Jia Jun.

**16. Amount due to a director**

Amount due to a director is unsecured, interest free and repayable on demand.

**17. Other borrowings**

|                                                             | <b>30 September<br/>2018<br/>HK\$'000<br/>(Unaudited)</b> | 31 March<br>2018<br>HK\$'000<br>(Audited) |
|-------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------|
| Carrying amount repayable within one year:                  |                                                           |                                           |
| Secured loan repayable within one year ( <i>note i</i> )    | <b>100,000</b>                                            | 100,000                                   |
| Unsecured loan repayable within one year ( <i>note ii</i> ) | <b>1,500</b>                                              | –                                         |
|                                                             | <b>101,500</b>                                            | 100,000                                   |

*Notes:*

- (i) On 28 November 2017, the Company as borrower entered into a loan agreement with an independent third party (the “**Lender**”) for a loan in the principal amount of HK\$100,000,000 (the “**Loan**”) for a term of 3 months 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. On 27 June 2018, the Lender and the Company agreed to further extend the repayment date of the Loan to 28 May 2019.

The Loan is secured by the Debenture. The interest rate of the Loan was (i) 3.9% per month for the first month after drawing of the Loan; (ii) 1.8% per month for the second month after drawing of the Loan; (iii) 1.25% per month for the third month after drawing of the Loan; and (iv) 1.25% per month for the fourth month to the sixth month after drawing of the Loan and until the repayment of the Loan as renewed (i.e. 28 May 2019). After the reporting period, HK\$40 million was repaid on 14 November 2018.

- (ii) On 24 May 2018, the Company as borrower entered into an unsecured short term loan agreement with Mr. Yung Ka Chun, the brother of the former executive director of the Company Ms. Yung Ka Lai, in the principal amount of HK\$1.5 million. The loan is unsecured, interest-free and repayable on demand. The loan was repaid on 24 October 2018.

## 18. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2018 (2017: Nil).

## 19. Related party/connected parties transaction

During the reporting period, other than those transactions and balances detailed elsewhere in the Interim Financial Statements, the Group had the following significant transactions with related parties which, in the opinion of the directors, were carried out on normal commercial terms and in the ordinary course of the Group's business:

### a) *Key management personnel*

Remuneration for key management personnel, including amount paid to the Company's directors and other members of key management during the period were as follows:

|                                                     | Six months ended |             |
|-----------------------------------------------------|------------------|-------------|
|                                                     | 30 September     |             |
|                                                     | 2018             | 2017        |
|                                                     | HK\$'000         | HK\$'000    |
|                                                     | (Unaudited)      | (Unaudited) |
| Salaries, allowances and benefits in kind           | 842              | 810         |
| Provident fund contributions                        | 18               | 18          |
| Total compensation paid to key management personnel | <u>860</u>       | <u>828</u>  |

**b) Transaction**

During the reporting period, the Group had the following transactions with related parties:

| Name of related parties and nature of transactions                                                                                                      | Six months ended        |                         |
|---------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------|-------------------------|
|                                                                                                                                                         | 30 September            |                         |
|                                                                                                                                                         | 2018                    | 2017                    |
|                                                                                                                                                         | HK\$'000<br>(Unaudited) | HK\$'000<br>(Unaudited) |
| Rental expenses paid to the mother of<br>Ms. Yung Ka Lai ( <i>Note</i> )                                                                                | <u>38</u>               | <u>37</u>               |
| Rental expenses paid to<br>Fujian Jiarui Pharmaceutical Chain<br>Company Limited which is 50% owned by<br>the cousin of Ms. Yung Ka Lai ( <i>Note</i> ) | <u>288</u>              | <u>558</u>              |

*Note:* Ms. Yung Ka Lai was the former director of the Company and the spouse of Mr. Wang Jia Jun, the existing director of the Company.

The Group had entered into a number of transactions with connected parties which, upon the listing of shares on the Stock Exchange, became connected persons of the Company under the listing Rules. These transactions are continuing transactions exempt from the independent shareholder's approval requirements under the Listing Rules.

**20. Comparative figures**

Certain comparative figures were reclassified to conform with the current period's presentation.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 September 2018 (the “**period under review**”), gross profit margin of the Group was approximately 13.33% for the six months ended 30 September 2018, compared to the gross profit margin of approximately 8.15% in the corresponding period in year 2017.

The Group has recorded a loss from operations for the six months ended 30 September 2018 of approximately HK\$57.155 million (2017: approximately HK\$29.328 million), the increase in loss was mainly due to an impairment loss on goodwill provided for the period.

Selling and distribution expenses for the period under review amounted to approximately HK\$1.933 million (2017: approximately HK\$7.178 million). The selling and distribution to turnover ratio for the period under review was 4.06% while it was 3.76%.

Administrative expenses for the period under review amounted to approximately HK\$9.775 million (2017: approximately HK\$15.462 million). The administrative expenses to turnover ratio for the period under review was 20.51% while it was 8.09% in 2017.

### Business Review

#### ***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. Our customers can be categorized into three types namely hospitals and healthcare institutions, distributor customers and end customers such as companies operating pharmaceutical retail chain stores, independent pharmacies, and outpatient departments of community hospitals, healthcare service stations and clinics.

As mentioned in 2017/18 annual report, in the early of 2018, the medical reform policy further controlled the pharmaceutical costs in public hospitals in Fujian Province which reduced the overall size of the pharmaceutical distribution business in public hospitals. In addition, the distribution policy 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. As a result, the turnover from this segment was approximately HK\$43.914 million (2017: HK\$180.535 million), representing a 75.68% decrease. And the loss from this segment was approximately HK\$3.572 million (2017: HK\$1.458 million), representing an 144.99% increase.

### ***Pharmaceutical retail chain business***

To improve the Group's operating result, the Group tried its best to concentrate its resources to strengthen the competitiveness of the pharmaceutical retail chain business. The turnover from the segment of pharmaceutical retail chain business was approximately HK\$130.325 million (2017: HK\$121.673 million), representing a 7.11% slightly increase and the loss from the segment of pharmaceutical retail chain business was approximately HK\$7.711 million (2017: HK\$16.304 million), representing a 52.70% improvement. Despite the improvements, the results of the pharmaceutical retail chain business were still not satisfactory, thus the company decided to dispose the pharmaceutical retail chain business because of its weak profitability and the fact that the Company was facing a substantial financial pressure. On 23 August 2018, the Company came across an opportunity to dispose of the pharmaceutical retail chain business at a consideration of HK\$49 million. After the disposal is completed, the sales proceeds would be used to repay part of the Company's loan. Consequently, the financial cost of the Company would be reduced by 40%.

### ***Hemodialysis treatment and consultancy service business***

To diversify the Group's business, the Group had acquired a new business which is engaged in hemodialysis treatment and consultancy service business (the “**Hemodialysis Business**”) through Mingxi County Trading Company Limited<sup>#</sup> (明溪縣佳維貿易有限公司) in March 2017. In respect of the Hemodialysis Business, the Group currently has three jointly-operated hemodialysis treatment centers under co-operation contracts with three hospitals in Fujian province, Shandong province and Hubei province in the PRC. The turnover from this segment was approximately HK\$3.740 million (2017: HK\$10.561 million), representing a 64.59% decrease. And profits from this segment was approximately HK\$1.981 million (2017: profits of HK\$0.464 million), representing a 326.94% increase.

### **Outlook**

As the pharmaceutical retail chain business was completely disposed of on 15 November 2018, the Group will continue to be principally engaged in (i) pharmaceutical wholesale and distribution business; and (ii) provision of hemodialysis treatment and consultancy service business in the PRC. Looking forward, the Company will centralise its resources in developing the Hemodialysis Business. The Group will look to further develop its Hemodialysis Business through organic growth and acquisitions.

### **Interim Dividend**

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2018 (2017: Nil).

<sup>#</sup> *English translations of official Chinese names are for identification purpose only*

## **Liquidity and Financial Resources**

The Group had total cash and cash equivalents of approximately HK\$24.032 million as at 30 September 2018 (31 March 2018: approximately HK\$91.922 million).

The Group recorded total current assets of approximately HK\$269.383 million as at 30 September 2018 (31 March 2018: approximately HK\$272.894 million) and total current liabilities of approximately HK\$241.197 million as at 30 September 2018 (31 March 2018: approximately HK\$242.392 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.117 as at 30 September 2018 (31 March 2018: approximately 1.126).

Gearing ratio (borrowings net of cash and cash equivalent, over equity attributable to owners of the Company) as at 30 September 2018 was approximately 91.26% (31 March 2018: 5.07%).

## **Contingent Liabilities**

As at 30 September 2018, 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 of the Company (the “**Directors**”) to be pending or threatened against any member of the Group (31 March 2018: Nil).

## **Financing and Treasury Policies**

The Group continues to adopt prudent financing and treasury policies. All the Group’s financing and treasury activities are centrally managed and controlled. Implementation of the Group’s related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk.

## **Foreign Exchange Risk**

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. As the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the period, the Directors believe that the potential foreign exchange exposure to the Group is limited. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the six months ended 30 September 2018.

## **Material Acquisitions and Disposals**

For the six months ended 30 September 2018, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

## **Charges on the Group's Assets**

As at 30 September 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 whosoever, 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.

For more details of the charges, please refer to Note 17 and the Company's announcement dated 28 November 2017, 28 February 2018 and 27 June 2018.

## Capital Commitments

Capital commitments at each of the end of the reporting date contracted but not provided for in the consolidated financial statements were as follows:

|                                                                        | 30 September<br>2018<br><i>HK\$'000</i><br>(Unaudited) | 31 March<br>2018<br><i>HK\$'000</i><br>(Audited) |
|------------------------------------------------------------------------|--------------------------------------------------------|--------------------------------------------------|
| Commitments for the construction contract for<br>leasehold improvement | <u>772</u>                                             | <u>1,836</u>                                     |

## Employee Information

As at 30 September 2018, the Group had 875 (31 March 2018: 953) full time employees. During the six months ended 30 September 2018, the staff costs, including Directors' remuneration, totalled approximately HK\$26.555 million (six months ended 30 September 2017: approximately HK\$32.855 million). Share options and bonuses are also available to the Group's employees at the discretion of the Board and depending upon the financial performance of the Group.

## Significant Events after the Reporting Period

### 1. *Completion of disposal of pharmaceutical retail chain*

On 23 August 2018 (after trading hours), Hui Hao (HK) Group Limited (an indirect wholly-owned subsidiary of the Company, as the Vendor) and Jing Hoi Ou Investment Limited (as the Purchaser) entered into an sales and purchase agreement, pursuant to which the Purchaser has conditionally agreed to acquire, and the Vendor has conditionally agreed to sell, the 99.8% interests in the Fujian Huihao Sihai Pharmaceutical China Company Limited<sup>#</sup> (福建惠好四海醫藥連鎖有限責任公司) (the “**Target Company**”), a limited liability company incorporated in the PRC, at the cash consideration of HK\$49,000,000, which is payable in accordance with the terms and conditions thereto at Completion. Details of which, please refer to the relevant announcement on the HKEX and the company's website made on 23 August 2018.

The transaction was completed on 15 November 2018. Details of which, please refer to the relevant announcement on the HKEx.

<sup>#</sup> *English translations of official Chinese names are for identification purpose only*

## **2. *Placing of new shares under general mandate***

On 3 October 2018 (after trading hours), the Company and the Placing Agent entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best effort basis, of up to 129,681,000 Placing Shares, to not less than six Placees who and whose ultimate beneficial owners shall be Independent Third Parties at a price of HK\$0.105 per Placing Share.

The Placing was completed on 12 October 2018. Part of the net proceeds of HK\$10 million has been used for partial repayment of the Group's borrowings and the remaining balance of approximately HK\$3,126,000 has been used as general working capital of the Group.

## **3. *Acquisition of subsidiaries***

On 10 October 2018, Zhuhai Sheng Chuang Medical Investment Management Limited<sup>#</sup> (珠海升創醫療投資管理有限公司), a non-wholly owned subsidiary of the Group, entered into a sale and purchase agreement for the acquisition of the entire interests in Wuhua Yangke Shenxi Hemodialysis Co., Ltd.<sup>#</sup> (五華養可腎析血液透析有限公司) (“**Wuhua**”), which directly holds 100% interest in Guangdong Yangkeshen Medical Investment Holdings Co., Ltd.<sup>#</sup> (廣東養可腎透析醫療投資控股有限公司), at the consideration of RMB3 million. The transaction was completed in October 2018. The Group gained 100% effective controlling interest in Wuhua after the completion of the transaction.

## **4. *Grant of share options***

On 26 October 2018, the Company has granted 64,840,000 share options to company's directors and staff of the Group. The exercised price of the share option is HK\$0.135 per share.

<sup>#</sup> English translations of official Chinese names are for identification purpose only.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

### Disclosure of Interests

#### (a) *Directors' interest and short position in the securities of the Company*

As at 30 September 2018, the interests and short positions of the directors and chief executive of the Company in the shares of the Company (“**Shares**”), underlying Shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (“**SFO**”)) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in the Appendix 10 to the Rules Governing the Listing Rules, were as follows:

| Name of director | Nature of interest | Number of shares | Position | Approximate percentage of the total issued shares |
|------------------|--------------------|------------------|----------|---------------------------------------------------|
| Mr. Wang Jia Jun | Corporate interest | 11,201,475       | Long     | 1.73%                                             |

*Note:* Mr. Wang Jia Jun is interested in the Company's shares through Power King Investment Development Limited which is held by his wife, Ms. Yung Ka Lai.

**(b) Substantial shareholders' interests and short positions in shares and underlying shares**

As at 30 September 2018, other than the interests of a director or chief executive of the Company as disclosed under the heading “Directors’ and chief executive’s interest in shares, underlying shares and debentures of the company and its associated corporations” above, the following persons (not being a Director or the chief executive officer of the Company) have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO:

| Name of shareholder                                        | Capacity           | Position | Number of shares | Approximate percentage of the total issued shares |
|------------------------------------------------------------|--------------------|----------|------------------|---------------------------------------------------|
| New Hope International (Hong Kong) Limited <i>(Note)</i>   | Beneficial owner   | Long     | 54,914,804       | 8.47%                                             |
| Southern Hope Enterprise Company Limited <i>(Note)</i>     | Corporate interest | Long     | 54,914,804       | 8.47%                                             |
| New Hope Group Company Limited <i>(Note)</i>               | Corporate interest | Long     | 54,914,804       | 8.47%                                             |
| Tibet Hengye Feng Industrial Company Limited <i>(Note)</i> | Corporate interest | Long     | 54,914,804       | 8.47%                                             |
| Mr. Liu Yonghao <i>(Note)</i>                              | Corporate interest | Long     | 54,914,804       | 8.47%                                             |
| Ms. Liu Chang <i>(Note)</i>                                | Corporate interest | Long     | 54,914,804       | 8.47%                                             |
| Ms. Li Wei <i>(Note)</i>                                   | Interest of spouse | Long     | 54,914,804       | 8.47%                                             |

*Note:* New Hope International (Hong Kong) Limited is interested in 54,914,804 shares. The issued share capital of New Hope International (Hong Kong) Limited is owned as to 75% by Southern Hope Enterprise Company Limited which is in turn owned as to 51% by New Hope Group Company Limited and 49% by Tibet Hengye Feng Industrial Company Limited. Both New Hope Group Company Limited and Tibet Hengye Feng Industrial Company Limited are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei. Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei are deemed to be interested in the shares in which New Hope International (Hong Kong) Limited is interested in.

## DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading “Directors’ and chief executive’s interests in shares, underlying shares and debentures” above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

## SHARE OPTION SCHEMES

On 24 September 2013, the Company adopted a share option scheme (the “**Share Option Scheme**”) whereby the Board can grant options for the subscription of our shares to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the “**Participants**”) as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme was 64,840,530 shares, which is equivalent to 10% of the issued capital of the Company after completion of the Listing on the Stock Exchange. The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Listing. Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to a Participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Listing Rules) of the Company or the independent non-executive Directors or any of their respective associates (as defined in the Listing Rules)), or the total number of shares that may be granted under the options to the substantial shareholders of the Company or the independent non-executive Directors or any of their respective associates shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board; however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the shares on the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (c) nominal value of the share. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

On 26 October 2018, 64,840,000 options have been granted up to the date of this interim report.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SHARES**

During the six month ended 30 September 2018, there was no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

## **PRE-EMPTIVE RIGHTS**

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry with all Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the period ended 30 September 2018.

## **CORPORATE GOVERNANCE**

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. To the knowledge of the Board, the Company had fully complied with the code provisions in the Corporate Governance Code (the "**CG Code**") for the six months ended 30 September 2018.

## **REMUNERATION COMMITTEE**

The Remuneration Committee was established on 24 September 2013 in compliance with written terms of reference in compliance with Rule 3.25 of the Listing Rules. The Remuneration Committee consists of three independent non-executive directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Ho Man. Mr. Wong Hon Kit is the chairman of the Remuneration Committee.

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

## **NOMINATION AND CORPORATE GOVERNANCE COMMITTEE**

The Nomination and Corporate Governance Committee was established on 24 September 2013 in compliance with written terms of reference in compliance with paragraphs A.5.1 and D.3.1 of Appendix 14 to the Listing Rules. The Nomination and Corporate Governance Committee consists of three independent non-executive directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Ho Man.

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

## AUDIT COMMITTEE

The Audit Committee was established on 24 September 2013 in compliance with written terms of reference in compliance with Rules 3.21 of the Listing Rules. The Audit Committee consists of three independent non-executive directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Ho Man. Mr. Wong Hon Kit is the chairman of the Audit Committee.

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

The Group's unaudited condensed consolidated results for the six months ended 30 September 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 were made.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float since the listing of the Shares on 11 October 2013.

By order of the Board  
**Wanjia Group Holdings Limited**  
**Wang Jia Jun**  
*Executive Director*

Hong Kong, 29 November 2018

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. Chen Jinshan and Mr. Wang Jia Jun, and three independent non-executive Directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Ho Man.*