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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 MARCH 2021

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2021 is as follows:

- Total revenue was approximately HK\$114.086 million (2020: approximately HK\$96.977 million), representing an increase of approximately 17.64% over 2020.
- Gross profit was approximately HK\$41.336 million (2020: approximately HK\$25.352 million), representing an increase of approximately 63.05% over 2020.
- Loss from operations was approximately HK\$2.089 million (2020: approximately HK\$9.470 million).
- Loss for the year attributable to owners of the Company was approximately HK\$4.536 million (2020: approximately HK\$20.744 million).
- The Group had total cash and cash equivalents of approximately HK\$25.099 million as at 31 March 2021 (2020: approximately HK\$24.801 million).
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2021 (2020: Nil).

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Wanjia Group Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2021 together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Revenue	<i>5</i>	114,086	96,977
Cost of sales		<u>(72,750)</u>	<u>(71,625)</u>
Gross profit		41,336	25,352
Other revenue	<i>6</i>	597	158
Other gain and loss, net	<i>7</i>	(102)	219
Provision of allowance for expected credit losses on trade and other receivables and deposits, net		(2,409)	(3,617)
Selling and distribution expenses		(24,987)	(17,139)
Administrative expenses		<u>(16,524)</u>	<u>(14,443)</u>
Loss from operations	<i>8</i>	(2,089)	(9,470)
Finance costs	<i>9</i>	(1,338)	(11,089)
Loss before taxation		(3,427)	(20,559)
Taxation	<i>10</i>	(1,050)	(308)
Loss for the year		(4,477)	(20,867)
Other comprehensive income/(loss) for the year			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating of foreign operations		<u>15,490</u>	<u>(9,738)</u>
Other comprehensive income/(loss) for the year		<u>15,490</u>	<u>(9,738)</u>
Total comprehensive income/(loss) for the year		<u>11,013</u>	<u>(30,605)</u>

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		(4,536)	(20,744)
Non-controlling interests		59	(123)
		<u>(4,477)</u>	<u>(20,867)</u>
Total comprehensive income/(loss)			
for the year attributable to:			
Owners of the Company		10,797	(30,332)
Non-controlling interests		216	(273)
		<u>11,013</u>	<u>(30,605)</u>
Loss per share attributable to			
owners of the Company:			
– Basic and diluted (HK cents per share)	<i>12</i>	<u>(0.81)</u>	<u>(9.88)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2021

	<i>Notes</i>	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		39,444	34,319
Right-of-use assets		20,660	22,802
Goodwill	<i>13</i>	96,500	89,010
Deposit paid for property, plant and equipment		471	1,439
		<u>157,075</u>	<u>147,570</u>
Current assets			
Inventories		9,587	7,435
Trade and other receivables and deposits	<i>14</i>	31,826	26,894
Cash and cash equivalents		25,099	24,801
		<u>66,512</u>	<u>59,130</u>
Current liabilities			
Trade and other payables	<i>15</i>	20,832	23,114
Lease liabilities		2,528	2,640
Amount due to directors		7,050	1,200
Amount due to a shareholder		1,200	–
Tax payables		1,306	520
		<u>32,916</u>	<u>27,474</u>
Net current assets		<u>33,596</u>	<u>31,656</u>
Total assets less current liabilities		<u>190,671</u>	<u>179,226</u>
Non-current liabilities			
Lease liabilities		<u>19,596</u>	<u>20,891</u>
		<u>19,596</u>	<u>20,891</u>
Net assets		<u>171,075</u>	<u>158,335</u>

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves		
Share capital	28,011	28,011
Reserves	141,298	128,774
	<hr/>	<hr/>
Equity attributable to owners of the Company	169,309	156,785
Non-controlling interests	1,766	1,550
	<hr/>	<hr/>
Total equity	171,075	158,335
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2021

1. GENERAL INFORMATION

The Company was incorporated as an exempted Company with limited liabilities in the Cayman Islands. The Company's immediate holding company and ultimate holding company is Power King Investment Development Limited, a company incorporated in British Virgin Islands (the "**BVI**") and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

The address of the registered office of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1003, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at Suite 1801, 18/F, Tower 1, The Gateway, Harbour City, 25 Canton Road, Kowloon, Hong Kong.

The principal activity of the Company is investment holdings. The Group is principally engaged in pharmaceutical wholesale and distribution business, and hemodialysis treatment and consultancy service business in the People's Republic of China (the "**PRC**").

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 April 2020 for the preparation of the consolidated financial statements.

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group’s financial positions and performance for the current and prior years and/or the disclosures set out in these consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

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

HKFRS 17	Insurance Contracts and the related Amendments ¹
Amendments to HKFRS 16	COVID-19-Related Rent Concession ⁴
Amendments to HKFRS 3	Reference to the Conceptual Framework ²
Amendments to HKFRS 9, HKAS 39 and HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase ⁵
Amendments to HKFRS 10	Sale or Contribution of Assets between and Investor And its Associate or Joint Venture ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current And related amendments to Hong Kong Interpretation 5(2020) ¹
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use ²
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract ²
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 ²
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting ¹
Amendments to HKAS 8	Definition of Accounting Estimates ¹
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹
Amendments to HKFRS 16	COVID-19 Related Rent concession beyond 30 June 2021 ⁶

¹ Effective for annual periods beginning on or after 1 January 2023

² Effective for annual periods beginning on or after 1 January 2022

³ Effective for annual periods beginning on or after a date to be determined

⁴ Effective for annual periods beginning on or after 1 June 2020

⁵ Effective for annual periods beginning on or after 1 January 2021

⁶ Effective for annual periods beginning on or after 1 April 2021

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Basic of preparation of consolidated financial statements

These consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. For the purpose of preparation of the consolidated financial statements information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance (Chapter 622 of the Law of Hong Kong).

Going concern assessment

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

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

The measurement basis used in the preparation of the consolidated financial statements is historical cost except for certain financial instruments and investment property that are measured at fair value at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration of given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use in HKAS 36.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. OPERATING SEGMENT

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

Segment revenue and results

For the year ended 31 March 2021

	Pharmaceutical wholesale and distribution business <i>HK\$'000</i>	Hemodialysis treatment and consultancy service business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
Revenue from external customers	<u>58,771</u>	<u>55,315</u>	<u>114,086</u>
Results			
Segment results	<u>156</u>	<u>7,947</u>	8,103
Unallocated corporate income and expenses, net			<u>(10,192)</u>
Loss from operations			(2,089)
Finance costs			<u>(1,338)</u>
Loss before taxation			(3,427)
Taxation			<u>(1,050)</u>
Loss for the year			<u><u>(4,477)</u></u>

For the year ended 31 March 2020

	Pharmaceutical wholesale and distribution business <i>HK\$'000</i>	Hemodialysis treatment and consultancy service business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Revenue			
Revenue from external customers	<u>69,523</u>	<u>27,454</u>	<u>96,977</u>
Results			
Segment results	<u>500</u>	<u>(994)</u>	(494)
Unallocated corporate income and expenses, net			<u>(8,976)</u>
Loss from operations			(9,470)
Finance costs			<u>(11,089)</u>
Loss before taxation			(20,559)
Taxation			<u>(308)</u>
Loss for the year			<u><u>(20,867)</u></u>

Segment assets and liabilities

For the year ended 31 March 2021

	Pharmaceutical wholesale and distribution business <i>HK\$'000</i>	Hemodialysis treatment and consultancy service business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Consolidated statement of financial position			
Assets			
Segment assets	35,985	87,479	123,464
Goodwill	–	96,500	96,500
Unallocated corporate assets			3,623
			<hr/>
Consolidated total assets			223,587
			<hr/> <hr/>
Liabilities			
Segment liabilities	7,242	26,113	33,355
Amount due to directors			7,050
Amount due to a shareholder			1,200
Unallocated corporate liabilities			10,907
			<hr/>
Consolidated total liabilities			52,512
			<hr/> <hr/>

For the year ended 31 March 2020

	Pharmaceutical wholesale and distribution business <i>HK\$'000</i>	Hemodialysis treatment and consultancy service business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Consolidated statement of financial position			
Assets			
Segment assets	28,569	81,365	109,934
Goodwill	–	89,010	89,010
Unallocated corporate assets			<u>7,756</u>
Consolidated total assets			<u><u>206,700</u></u>
Liabilities			
Segment liabilities	8,237	26,432	34,669
Amount due to directors			1,200
Unallocated corporate liabilities			<u>12,496</u>
Consolidated total liabilities			<u><u>48,365</u></u>

Other segment assets and liabilities

For the year ended 31 March 2021

	Pharmaceutical wholesale and distribution business <i>HK\$'000</i>	Hemodialysis treatment and consultancy service business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other information				
Capital expenditure (<i>note</i>)	167	9,540	–	9,707
Depreciation	800	8,040	1,407	10,247
Loss on disposal of property, plant and equipment	102	–	–	102
Provision/(reversal) of allowance for expected credit losses on trade and other receivables and deposits, net	(210)	2,619	–	2,409
Finance costs	37	1,185	116	1,338
Interest income	84	7	1	92

note:

Capital expenditure consists of additions to property, plant and equipment and right-of-use assets during the year.

For the year ended 31 March 2020

	Pharmaceutical wholesale and distribution business <i>HK\$'000</i>	Hemodialysis treatment and consultancy service business <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Other information				
Capital expenditure (<i>note</i>)	91	14,648	3,057	17,796
Depreciation	757	6,439	88	7,284
Loss/(gain) on disposal of property, plant and equipment	344	–	(10)	334
Provision/(reversal) of allowance for expected credit losses on trade and other receivables and deposits, net	(2,485)	6,102	–	3,617
Finance costs	89	877	10,123	11,089
Interest income	<u>97</u>	<u>10</u>	<u>3</u>	<u>110</u>

note:

Capital expenditure consists of additions to property, plant and equipment and right-of-use assets during the year.

Segment results represent the profit or loss generated by each segment without allocation of finance costs and taxation. Unallocated corporate expenses mainly include directors' remuneration and other central administration costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

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

- all assets are allocated to reportable segments other than unallocated corporate assets. Unallocated corporate assets mainly include office equipment, right-of-use assets and cash and cash equivalents of the central administration companies and certain deposits and other receivables.
- all liabilities are allocated to reportable segments other than, amount due to directors, amount due to a shareholder, lease liabilities and certain other payables and accrual expenses of certain administrative.

Geographical information

The Group operates in two principal areas – pharmaceutical wholesale and distribution business, and hemodialysis treatment and consultancy service business in the PRC and administrative activity operates in Hong Kong.

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

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

	Carrying amount of non-current assets	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,828	2,972
PRC	154,247	144,598
	<u>157,075</u>	<u>147,570</u>

Information about major customers

Revenue from customers over 10% of the Group's total revenue are as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	18,282	22,287
Customer B	15,259	18,186

Customer A and B are both relating to pharmaceutical wholesale and distribution business.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
<i>Revenue from contract with customers recognised at a point in time:</i>		
Wholesale and distribution of pharmaceutical and related products	58,771	69,523
Provision of hemodialysis treatment and consultancy services	55,315	27,454
	114,086	96,977

All revenue contracts are for one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to unsatisfied contracts is not disclosed.

6. OTHER REVENUE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest income	92	110
Government subsidies (<i>note</i>)	486	–
Sundry income	19	48
	<u>597</u>	<u>158</u>

note:

During the year ended, the Group successfully applied for funding support from the Employment Support Scheme set up by the Government of the Hong Kong Special Administrative Region, the purpose of which is to provide financial support to enterprises and to retain their employees who would otherwise be made redundant. Under the terms of the Employment Support Scheme, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to its employees.

7. OTHER GAIN AND LOSS, NET

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss on disposal of property, plant and equipment	(102)	(334)
Gain on deregistration of a subsidiary	–	553
	<u>(102)</u>	<u>219</u>

8. LOSS FROM OPERATIONS

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

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Staff costs:		
Employee benefits expense (including directors' emoluments)		
Salaries and allowances	17,828	13,889
Retirement scheme contributions	854	781
Share-based payment	1,727	–
	<u>20,409</u>	<u>14,670</u>
Other items:		
Depreciation of property, plant and equipment	7,180	5,211
Depreciation of right-of-use assets	3,067	2,073
Auditors' remuneration		
– audit services	744	839
– non-audit services	–	183
Cost of inventories sold	72,750	71,625
Provision of allowance for expected credit losses on trade and other receivables and deposits, net	2,409	3,617
Expenses relating to short-term lease	316	809

9. FINANCE COSTS

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Interest on:		
– Other borrowing	–	10,113
– Lease liabilities	<u>1,338</u>	<u>976</u>
	<u><u>1,338</u></u>	<u><u>11,089</u></u>

10. TAXATION

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax:		
– PRC Enterprise Income Tax	<u>1,050</u>	<u>308</u>

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

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

PRC corporate income tax (“CIT”) CIT provision is made on the estimated assessable profits of entities within the Group incorporated in the PRC and is calculated in accordance with the relevant regulations of the PRC after considering the available tax benefits from refunds and allowances. The general PRC CIT rate is 25% during the years ended 31 March 2021 and 2020 except for those as discussed below:

Pursuant to the “Notice on Implementation of Income Tax Relief Policy for Small Low-profit Enterprises (Cai Shui [2019] No. 13) (「關於實施小微企業普惠性稅收減免政策的通知」(財稅[2019]第13號)) jointly issued by the Ministry of Finance and the State Administration of Taxation, during the period from 1 January 2019 to 31 December 2021, the portion of annual taxable income amount of a small low-profit enterprise which does not exceed RMB1,000,000 shall be computed at a reduced rate of 25% as taxable income amount for CIT calculation purpose, and shall be subject to CIT at 20% tax rate; the portion of annual taxable income amount which exceeds RMB1,000,000 but does not exceed RMB3,000,000 shall be computed at a reduced rate of 50% as taxable income amount, and shall be subject to CIT at 20% tax rate. Certain subsidiaries of the Group were qualified for this policy and were entitled to the preferential tax rate of 20% as mentioned above.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rate regime. The Bill was signed into law on 28 March 2018 and was gazette on the following day. Under the two-tiered profits tax rate regime, the first HK\$2,000,000 of profits of the qualifying group entity will be taxed at 8.25% and profits tax above HK\$2,000,000 will be taxed at 16.5%. The profits of group entities not qualifying for the two tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The directors considered the amount involved upon implementation of the two-tiered profits tax rate as insignificant to the consolidation financial statement. Hong Kong Profits Tax is calculated at 16.5% for both years. No provision for Hong Kong Profits tax has been made for both years since there were no assessable profit generated in Hong Kong.

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

11. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2021 (2020: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic loss per share are based on loss attributable to the owners of the Company and the weighted average number ordinary shares in issue during the year as follows:

Loss for the year

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Loss for the year attributable to owners of the Company	<u>(4,536)</u>	<u>(20,744)</u>

Number of shares

	2021	2020
Weighted average number of ordinary shares (<i>note</i>)	<u>560,222,136</u>	<u>210,029,767</u>

note:

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 March 2020 has been adjusted to reflect placing of shares, share consolidation and rights issue.

For the year ended 31 March 2021 and 2020, the computation of diluted loss per share does not include the Company's outstanding share options because the effect were anti-dilutive. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.

13. GOODWILL

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Cost		
As at 1 April	907,336	915,844
Exchange realignment	<u>10,281</u>	<u>(8,508)</u>
As at 31 March	<u><u>917,617</u></u>	<u><u>907,336</u></u>
Accumulated impairment losses		
As at 1 April	818,326	820,636
Exchange realignment	<u>2,791</u>	<u>(2,310)</u>
As at 31 March	<u><u>821,117</u></u>	<u><u>818,326</u></u>
Carrying amounts		
As at 31 March	<u><u>96,500</u></u>	<u><u>89,010</u></u>

14. TRADE RECEIVABLES

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 (2020: 30 to 90 days) for pharmaceutical wholesale and distribution business and 5 to 365 days (2020: 5 to 365 days) for hemodialysis treatment and consultancy service business respectively of issuance of invoices. The ageing analysis of the gross amount of trade receivables based on the invoices date is as follows:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Within 90 days	13,340	10,523
91-180 days	1,888	2,465
181-365 days	3,245	1,818
Over 365 days	<u>6,298</u>	<u>3,608</u>
	<u><u>24,771</u></u>	<u><u>18,414</u></u>

15. TRADE PAYABLES

The ageing analysis of trade payables of the Group presented based on the invoice date is as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	3,218	1,744
91 – 180 days	556	802
181 – 365 days	499	177
Over 365 days	4,155	5,511
	<hr/> 8,428 <hr/>	<hr/> 8,234 <hr/>

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

16. EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events requiring disclosure that has taken place subsequent to 31 March 2021 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holdings company and the Group is engaged in the business on pharmaceutical wholesale and distribution business, and hemodialysis treatment and consultancy service business in the PRC.

During the early 2020, at the height of the outbreak of COVID-19 pandemic in the PRC, the Group followed the government's regulations by allowing our staff work from home in our pharmaceutical wholesale and distribution business. Fortunately, our pharmaceutical wholesale and distribution business remained relatively stable credited to our automated drugs supply ERP system and operational efficiency. Our hemodialysis treatment centers continued in operation to serve the patients in need to all of the care for treatment even during the peak of the pandemic in the PRC in the early 2020. All the Group's business in the PRC have basically resumed normal operation in April 2020. Benefiting from the increase in the number of patients requiring for our hemodialysis treatment services, revenue from this business segment has been doubled in 2021.

However, given the inherent unpredictable nature and development of the COVID-19, especially the outbreak of new variant that has spread in India and around the world, the Group's business might be affected and we will closely monitor the overall situation and development of events in the regard.

Segment information

During the year, the revenue of the Group was principally generated from: (1) pharmaceutical wholesale and distribution business, and (2) hemodialysis treatment and consultancy service business in the PRC. Financial information in respect of these operations is presented in Note 4 to the results announcement.

1) *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 and end customers such as companies operating pharmaceutical retail chain stores, independent pharmacies, and outpatient departments of community hospitals, healthcare service stations and clinics.

In the early part of 2019, 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 in the operation and its overall performance of the Group in pharmaceutical wholesale and distribution business. As a result, revenue from this segment was approximately HK\$58.771 million (2020: approximately HK\$69.523 million), representing an approximately 15.47% decrease. Gain from this business segment was approximately HK\$0.156 million (2020: approximately HK\$0.500 million).

2) *Hemodialysis treatment and consultancy service business*

In respect of the hemodialysis treatment business, the Group currently operates several jointly-operated hemodialysis treatment centers under co-operations contracts and self-operated hemodialysis treatment centers spread across the Guangdong, Shandong and Fujian Provinces, PRC. In addition, the Group signed a 10 years service contract with Zhuhai Jiulong Hospital Company Limited[#] (珠海九龍醫院有限公司) in March 2020 for providing hemodialysis treatment and consultancy service business to the hospital. During the year ended 31 March 2021, the revenue from this segment was approximately HK\$55.315 million (2020: approximately HK\$27.454 million), representing an significant increase of approximately 101.48%. Gain from this business segment was approximately HK\$7.947 million (2020: Loss approximately HK\$0.994 million) attributable to operational efficiency and increase in patients treatment.

[#] *English translations of official Chinese names are for identification purpose only.*

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2021, the Group's revenue from the operating segment was improved. For the year ended 31 March 2021, revenue was approximately HK\$114.086 million (2020: approximately HK\$96.977 million), accounting for an increase of approximately 17.64% as compared to 2020. The gross profit margin was approximately 36.23%, while it was approximately 26.14% in 2020. The improvement of gross profit margin was attributable to the increased revenue from the hemodialysis treatment and consultancy service business which provided higher gross profit margin than pharmaceutical wholesale and distribution business.

Other revenue

Other revenue, primarily including COVID-19 government subsidies, and bank interest income amounted to approximately HK\$0.597 million (2020: approximately HK\$0.158 million) for the year ended 31 March 2021.

Selling and distribution expenses

For the year ended 31 March 2021, selling and distribution expenses amounted to approximately HK\$24.987 million (2020: approximately HK\$17.139 million), representing an increase of approximately 45.79% as compared to 2020. The increase in the selling and distribution expenses was due to the increase of employee benefits and expenses of employees engage in the hemodialysis treatment and consultancy business, and promotion and marketing expenses targeting to promote brand awareness of the Group's business.

Administrative expenses

Administrative expenses for the year ended 31 March 2021 amounted to approximately HK\$16.524 million (2020: approximately HK\$14.443 million), representing an increase of approximately 14.41% as compared to 2020, which was due to share-based payment expense during the year.

Finance costs

For the year ended 31 March 2021, the finance costs of the Group were approximately HK\$1.338 million (2020: approximately HK\$11.089 million), representing a significant decrease of approximately 87.93% as compared to 2020. As the other borrowing of HK\$60 million was fully settled on 25 February 2020, the finance cost was significantly reduced.

Impairment losses recognised in goodwill, property, plant and equipment and right-of-use assets

In 2021, the management has performed an impairment assessment of goodwill, property, plant and equipment and right-of use assets of the Group. There was no impairment losses of goodwill, property, plant and equipment and right-of-use assets. The recoverable amount of the cash generating unit is determined based on a discounted pre-tax cash flow projections, prepared in accordance with the financial budgets approved by management covering a five-year period.

Loss for the year attributable to owners of the Company

The Group had recorded loss for the year attributable to owners of the Company of approximately HK\$4.536 million for the year ended 31 March 2021 (2020: approximately HK\$20.744 million).

When comparing with previous year, the Group recorded a decrease in loss which mainly attributable to the increase in revenue and gross profit margin from the hemodialysis treatment and consultancy service business, and reduction in finance cost.

OUTLOOK AND FUTURE PROSPECTS

The Group will centralise its resources in developing the hemodialysis treatment and consultancy service business. The Group will look to further develop its hemodialysis treatment and consultancy service business through organic growth and acquisitions.

Looking forward, the Group will focus on developing such segment through establishment of new self-operated centers and provide hemodialysis consultancy service to hospitals in the PRC so as to expand its operating scale and further penetrate in the market. For this purpose, a business development team has been set up and has performed initial feasibility studies on the market potential in various cities or regions in the PRC.

The Group believes that the demand for hemodialysis treatment services in the PRC market is still far from being met and has great potential for development. Based on the Group's experience and strength in the medical field, the further exploration and expansion from our existing businesses to the continuously rising hemodialysis sector will become the driving force for building our further influence in the market and create better return to the shareholders.

The Group will continue to pay attention to different investment opportunities, identify appropriate businesses and projects for shareholders, and increase shareholders returns.

LIQUIDITY AND FINANCIAL RESOURCES

Overall financial position

The Group had total cash and cash equivalents of approximately HK\$25.099 million as at 31 March 2021 (2020: approximately HK\$24.801 million). The Group recorded total current assets of approximately HK\$66.512 million as at 31 March 2021 (2020: approximately HK\$59.130 million) and total current liabilities of approximately HK\$32.916 million as at 31 March 2021 (2020: approximately HK\$27.474 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 2.02 as at 31 March 2021 (2020: approximately 2.15).

Gearing ratio

As at 31 March 2021, the Group's gearing ratio which was calculated based on outstanding debts (comprising amount due to a connected person, amount due to directors, amount due to a shareholder and lease liabilities) less cash and cash equivalents over total equity (including all capital and reserves attributable to owners of the Company) was approximately 0.07 (2020: approximately 0.03).

Contingent liabilities

As at 31 March 2021 and 2020, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

Capital commitments

As at 31 March 2021, there were respective capital commitments for construction contracted for but not provided in the consolidated financial statements amounting to approximately HK\$1.245 million (2020: approximately HK\$4.330 million).

Going Concern

Based on the current financial forecast and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a going concern basis.

CAPITAL STRUCTURE

As at 31 March 2021, the total issued share capital of the Company was approximately HK\$28.011 million (2020: approximately HK\$28.011 million) representing 560,222,136 ordinary shares (2020: 560,222,136 ordinary shares).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following is the key risk and uncertainty identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market risks

PRC government policy

The Group is very concerned about external regulatory compliance and environmental changes, and a management team is responsible for timely collection, interpretation and promotion of external regulatory requirements. The Group's management, together with the business line, will also discuss changes in the external environment, assess the impact of regulatory requirements on the existing business, and develop targeted countermeasures. The Group's compliance team will provide professional advice on the latest regulatory requirements and conduct compliance reviews on the compliance of existing regulations.

Operational risks

Risks of the COVID-19 pandemic. Due to factors such as the regulatory lock-down, voluntary quarantine of people, and delayed resumption of work and production as a result of the epidemic, the operations of the Group may have been affected to some extent. The Group will pay close attention and development of the COVID-19 and continue to evaluate its impact on the financial position and operating results of the Group.

Foreign exchange and goodwill impairment risks

Since almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars, most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk, the Directors consider that the Group's risk exposure to currency fluctuations to be manageable. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

Impairment test for goodwill is based on the forecast of future cash flow and contains the management's relevant assumptions and professional judgements. Goodwill is exposed to certain risks of impairment.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2021, the Group had 178 (2020: 124) full time employees (including Directors) as shown in the following table:

Location	Number of staff
Hong Kong	12
PRC	166

For the year ended 31 March 2021, staff costs (including directors emoluments) amounted to approximately HK\$20.409 million (2020: approximately HK\$14.670 million). The Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include share-based payment, the contribution to the Mandatory Provident Fund Scheme, discretionary bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC.

CHARGES ON GROUP'S ASSETS

As at 31 March 2021, the Group did not have any charges on the Group's assets.

MATERIAL ACQUISITIONS AND DISPOSALS

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

USE OF PROCEEDS OF EQUITY FUND RAISING ACTIVITIES

Date of announcement	Fund raising activity	Net proceeds raised	Proposed use of proceeds	Actual use of proceeds
23 August 2019	Subscription of 155,617,260 pre-consolidation Shares at HK\$0.054 per pre-consolidation Share under general mandate, which was completed on 12 September 2019	Approximately HK\$8 million	To use the net proceeds as general working capital of the Group	Fully utilised as intended at 31 March 2020
6 December 2019	Issue of 373,481,424 consolidated rights Shares at HK\$0.192 per rights Share under the rights issue, which was completed on 24 February 2020	Approximately HK\$68 million	(i) HK\$60 million will be used for repayment of a secured loan; (ii) HK\$3 million will be used for repayment of the unsecured loan; and (iii) the remaining balance of HK\$5 million will be used for general working capital of the Group	Fully utilised as intended at 30 September 2020

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

During the year ended 31 March 2021, there were no purchase, sale or redemption of the Company’s listed securities by the Company or any of its subsidiaries.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events requiring disclosure that has taken place subsequent to 31 March 2021 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code (the “**CG Code**”) as stated in Appendix 14 of the Rules Governing the Listing Securities on Main Board (the “**Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). During the year under review, the Company had revised the Terms of Reference for its Audit Committee in order to fully comply with the amendments to the Listing Rules in relation to corporate governance that took effect since 1 January 2020.

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

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. After the former chairman resigned from the Company in 2014, there is no position of the chairman. The Company did not have the chairman during the year ended 31 March 2021. The Board considered that the existing Board members were able to share the power and responsibilities of chairman among themselves during the year ended 31 March 2021.

Mr. Wang Jia Jun has been appointed as the Chief Executive Officer of the Company since 1 April 2020 and up to the date of this announcement. The Company will, from time to time, review the effectiveness of the Group's corporate governance structure and consider whether any changes, including the establishment of the role of the chairman.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") since 11 October 2013, being the date of listing of the Company, up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established on 24 September 2013 with written terms of reference in compliance with Rule 3.2.1 of the Listing Rules and a copy of which is posted on the website of the Company and of the Stock Exchange. In order to comply with the amended CG Code, the Board adopted the revised Terms of Reference of the Audit Committee on 31 December 2018. The Audit Committee's current members are:

Mr. Wong Hon Kit (*Chairman*)

Dr. Liu Yongping

Mr. Ho Man

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

- (a) reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- (b) monitoring integrity of financial statements of the Company and the Company's annual report and accounts and the interim report;
- (c) reviewing the Company's financial controls, risk management and internal control systems;
- (d) reporting to the Board on the matters set out in the code provisions as stated in Appendix 14 to the Listing Rules.

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

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

During the year ended 31 March 2021, the Audit Committee held three meetings.

The Audit Committee has reviewed with management accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 March 2021. The Group's audited consolidated financial results for the year ended 31 March 2021 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures has been made.

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

REMUNERATION COMMITTEE

The Remuneration Committee was established on 24 September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rule and a copy of which is posted on the website of the Company and of the Stock Exchange. The Remuneration Committee has adopted the approach under code provision B.1.2(c)(ii) of the CG Code and made recommendations to the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The Remuneration Committee's current members are:

Mr. Wong Hon Kit (*Chairman*)

Dr. Liu Yongping

Mr. Ho Man

Mr. Wang Jia Jun

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

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

The Remuneration Committee held three meetings during the year ended 31 March 2021.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

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

Mr. Wang Jia Jun (*Chairman*)

Mr. Wong Hon Kit

Dr. Liu Yongping

Mr. Ho Man

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

- (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis and making recommendations to the Board regarding any proposed changes;
- (b) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to the Board on the selection of, individuals nominated for directorship;
- (c) making recommendations to the Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Company; and
- (d) keeping the effectiveness of the corporate governance and system of internal controls of the Group.

The Nomination and Corporate Governance Committee shall meet once during the financial year. During the meeting, the Nomination and Corporate Governance Committee will review the structure, size and composition (including the skills, knowledge and experience) of the Board and review the arrangement for re-election of all the retiring Directors at the forthcoming general meetings of the Company and the terms of reference of the Nomination and Corporate Governance Committee.

The Nomination and Corporate Governance Committee has adopted a Board Diversity Policy (“**Policy**”). The Company continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in the Board. A diversity of perspectives can be achieved through engaging directors in possession of gender, age, cultural and educational background, ethnicity, professional experience, required experience, skills, knowledge and length of service, etc. The composition, experience and balance of skills of the Board are regularly reviewed to ensure that the Board retains a core of members with longstanding knowledge of the Group alongside new Director(s) appointed from time to time who bring fresh perspectives and diverse experience to the Board. The Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity in the Board. The Board will continue to review the Policy to ensure its continued effectiveness on an annual basis.

The Nomination and Corporate Governance Committee held two meetings during the year ended 31 March 2021.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (“AGM”) will be held on Friday, 10 September 2021 at Suite 1801, 18/F., Tower 1, The Gateway, Harbour City, 25 Canton Road, Kowloon, Hong Kong. The register of members of the Company will be closed from Tuesday, 7 September 2021 to Friday, 10 September 2021, both days inclusive, during which period no transfer of shares will be effected.

In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong for registration no later than 4:30 p.m. on Monday, 6 September 2021.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management team and staff for their tireless dedication that helps fuel the Group's healthy development. In addition, I would also like to thank all our shareholders, business partners and customers for their continuous support. In 2021, the Company will continue to work tirelessly to create long-term value returns for the shareholders.

By Order of the Board
WANJIA GROUP HOLDINGS LIMITED
Wang Jia Jun
Chief Executive Officer and Executive Director

Hong Kong, 28 June 2021

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