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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 2023

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2023 is as follows:

- Total revenue was approximately HK\$173.702 million (2022: approximately HK\$154.823 million), representing an increase of approximately 12.19% over 2022.
- Gross profit was approximately HK\$56.936 million (2022: approximately HK\$54.234 million), representing an increase of approximately 4.98% over 2022.
- Profit from operations was approximately HK\$4.473 million (2022: loss from operations was approximately HK\$47.383 million).
- Profit for the year attributable to owners of the Company was approximately HK\$1.820 million (2022: loss for the year attributable to owners of the Company was approximately HK\$50.999 million).
- The basic and diluted earnings per share was approximately HK\$0.32 cents (2022: basic and diluted loss per share was approximately HK\$9.10 cents).
- The Group had total cash and cash equivalents of approximately HK\$9.876 million as at 31 March 2023 (2022: approximately HK\$5.768 million).
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2023 (2022: Nil).

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Wanjia Group Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2023 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 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Revenue	<i>5</i>	173,702	154,823
Cost of sales		<u>(116,766)</u>	<u>(100,589)</u>
Gross profit		56,936	54,234
Other revenue	<i>6</i>	153	50
Other loss	<i>7</i>	(733)	–
Reversal of/(allowance for) expected credit losses on trade and other receivables, net		7,499	(3,187)
Impairment loss on goodwill		–	(46,630)
Selling and distribution expenses		(34,798)	(29,600)
Administrative expenses		<u>(24,584)</u>	<u>(22,250)</u>
Profit/(loss) from operations		4,473	(47,383)
Finance costs	<i>8</i>	<u>(2,018)</u>	<u>(1,308)</u>
Profit/(loss) before taxation		2,455	(48,691)
Taxation	<i>9</i>	<u>(517)</u>	<u>(2,246)</u>
Profit/(loss) for the year	<i>10</i>	<u>1,938</u>	<u>(50,937)</u>
Other comprehensive (expense)/income for the year <i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating of foreign operations		<u>(9,812)</u>	<u>7,872</u>
Other comprehensive (expense)/income for the year		<u>(9,812)</u>	<u>7,872</u>
Total comprehensive expense for the year		<u>(7,874)</u>	<u>(43,065)</u>

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Profit/(loss) for the year attributable to:			
Owners of the Company		1,820	(50,999)
Non-controlling interests		118	62
		<u>1,938</u>	<u>(50,937)</u>
Total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		(7,987)	(43,216)
Non-controlling interests		113	151
		<u>(7,874)</u>	<u>(43,065)</u>
Earnings/(loss) per share:			
– Basic and diluted (HK cents per share)	<i>12</i>	<u>0.32</u>	<u>(9.10)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	<i>Notes</i>	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		31,679	38,380
Right-of-use assets		15,807	18,871
Goodwill		49,093	53,024
Deposit paid for property, plant and equipment		–	90
		96,579	110,365
Current assets			
Inventories		12,631	14,651
Trade and other receivables	13	50,659	61,034
Cash and cash equivalents		9,876	5,768
		73,166	81,453
Assets classified as held for sale		3,703	–
		76,869	81,453
Current liabilities			
Trade and other payables	14	23,897	37,730
Lease liabilities		2,569	2,732
Borrowings		7,450	–
Amount due to a director		–	3,500
Tax payables		1,320	1,506
		35,236	45,468
Liabilities associated with assets classified as held for sale		2,838	–
		38,074	45,468
Net current assets		38,795	35,985
Total assets less current liabilities		135,374	146,350
Non-current liabilities			
Lease liabilities		15,147	18,254
Net assets		120,227	128,096

	2023	2022
<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Capital and reserves		
Share capital	28,011	28,011
Reserves	90,186	98,168
	<hr/>	<hr/>
Equity attributable to owners of the Company	118,197	126,179
Non-controlling interests	2,030	1,917
	<hr/>	<hr/>
Total equity	<u>120,227</u>	<u>128,096</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2023

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"). The Company's 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 Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, 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 Company is an investment holding Company and its subsidiaries (together with the Company, the "Group") are 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 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 periods beginning on 1 April 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendment to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

New and amendments to HKFRSs in issue 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 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ³
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ³
Amendments to HKAS 1	Non-current liabilities with covenants ³
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies 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

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

² Effective for annual periods beginning on or after a date to be determined.

³ Effective for annual periods beginning on or after 1 January 2024.

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

The 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.

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.

4. OPERATING SEGMENT

Information reported internally to the chief operating decision maker (“CODM”), 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

The following is an analysis of the Group’s revenue and results by the operating and reportable segment.

For the year ended 31 March 2023

	Pharmaceutical wholesale and distribution business <i>HK\$’000</i>	Hemodialysis treatment and consultancy service business <i>HK\$’000</i>	Consolidated <i>HK\$’000</i>
Segment revenue from external customers	<u>52,278</u>	<u>121,424</u>	<u>173,702</u>
Segment results	<u>(1,130)</u>	<u>15,450</u>	14,320
Unallocated corporate income and expenses, net			<u>(9,847)</u>
Profit from operations			4,473
Finance costs			<u>(2,018)</u>
Profit before taxation			<u>2,455</u>

For the year ended 31 March 2022

	Pharmaceutical wholesale and distribution business <i>HK\$'000</i>	Hemodialysis treatment and consultancy service business <i>HK\$'000</i>	Consolidated <i>HK\$'000</i>
Segment revenue from external customers	<u>51,183</u>	<u>103,640</u>	<u>154,823</u>
Segment results	<u>7</u>	<u>(38,014)</u>	(38,007)
Unallocated corporate income and expenses, net			<u>(9,376)</u>
Loss from operations			(47,383)
Finance costs			<u>(1,308)</u>
Loss before taxation			<u>(48,691)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in both years.

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies. Segment result represents the profit earned by each segment without allocation of central administration costs, finance costs and certain other income. This is the measure reported to the CODM for the purpose of resource allocation and performance assessment.

Segment assets and liabilities

For the year ended 31 March 2023

	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	21,050	147,998	169,048
Unallocated corporate assets			<u>4,400</u>
Consolidated total assets			<u><u>173,448</u></u>
Liabilities			
Segment liabilities	7,309	41,196	48,505
Unallocated corporate liabilities			<u>4,716</u>
Consolidated total liabilities			<u><u>53,221</u></u>

For the year ended 31 March 2022

	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	23,701	165,634	189,335
Unallocated corporate assets			<u>2,483</u>
Consolidated total assets			<u><u>191,818</u></u>
Liabilities			
Segment liabilities	8,039	49,018	57,057
Unallocated corporate liabilities			<u>6,665</u>
Consolidated total liabilities			<u><u>63,722</u></u>

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 activities operate 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:

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	2,842	1,428
PRC	93,737	108,937
	<u>96,579</u>	<u>110,365</u>

Information about major customers

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

	For the year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A ¹	<u>18,553</u>	<u>17,191</u>

¹ Revenue from segment of pharmaceutical wholesale and distribution business.

Other segment information

For the year ended 31 March 2023

	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>
Capital expenditure (<i>Note</i>)	1,176	4,115	2,822	8,113
Depreciation of property, plant and equipment	283	8,321	399	9,003
Depreciation of right-of-use assets	436	1,476	1,008	2,920
(Reversal of)/allowance for expected credit losses on trade and other receivables, net	1,995	(9,508)	14	(7,499)
Finance costs	37	1,962	19	2,018
	<u>1,995</u>	<u>(9,508)</u>	<u>14</u>	<u>(7,499)</u>

For the year ended 31 March 2022

	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>
Capital expenditure (<i>Note</i>)	610	7,434	9	8,053
Depreciation of property, plant and equipment	266	8,791	394	9,451
Depreciation of right-of-use assets	419	1,858	1,015	3,292
Allowance for expected credit losses on trade and other receivables, net	173	3,014	–	3,187
Impairment loss on goodwill	–	46,630	–	46,630
Finance costs	40	1,199	69	1,308
	<u>40</u>	<u>1,199</u>	<u>69</u>	<u>1,308</u>

Note:

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

5. REVENUE

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

	For the year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
<i>Revenue from contract with customers recognised at a point in time:</i>		
Wholesale and distribution of pharmaceutical and related products	52,278	51,183
Provision of hemodialysis treatment and consultancy services	<u>121,424</u>	<u>103,640</u>
	<u>173,702</u>	<u>154,823</u>

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

	For the year ended 31 March	
	2023	2022
	HK\$'000	HK\$'000
Bank interest income	33	46
Government subsidies (<i>Note</i>)	120	–
Sundry income	<u>–</u>	<u>4</u>
	<u>153</u>	<u>50</u>

Note:

During the year ended 31 March 2023, 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. During the year ended 31 March 2022, no such funding support was received.

7. OTHER LOSS

	For the year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Loss on disposal of property, plant and equipment	<u>733</u>	<u>–</u>

8. FINANCE COSTS

	For the year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Interest on:		
– Borrowings	893	–
– Lease liabilities	<u>1,125</u>	<u>1,308</u>
	<u>2,018</u>	<u>1,308</u>

9. TAXATION

	For the year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current tax:		
– PRC Enterprise Income Tax (“EIT”)	<u>517</u>	<u>2,246</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.

10. PROFIT/(LOSS) FOR THE YEAR

	For the year ended 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit/(loss) for the year has been arrived at after charging:		
Staff costs (including directors' emoluments)		
– Salaries and allowances	18,885	18,012
– Retirement scheme contributions	1,331	1,149
– Share-based payment	5	86
	<u>20,221</u>	<u>19,247</u>
Depreciation of property, plant and equipment	9,003	9,451
Depreciation of right-of-use assets	2,920	3,292
Auditors' remuneration		
– Audit services	736	757
Cost of inventories recognised as expenses	114,860	94,002
Expenses relating to short-term leases	383	358
	<u><u>383</u></u>	<u><u>358</u></u>

11. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2023 (2022: Nil).

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 (2022: 30 to 90 days) for pharmaceutical wholesale and distribution business and 5 to 365 days (2022: 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:

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	34,050	32,048
91 to 180 days	8,186	15,051
181 to 365 days	2,740	7,624
Over 365 days	7,478	7,974
	<u>52,454</u>	<u>62,697</u>

14. TRADE AND OTHER PAYABLES

As at 31 March 2023, included in the Group's trade and other payables, the trade payables amounted to approximately HK\$16,965,000 (2022: approximately HK\$32,460,000).

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

	As at 31 March	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 90 days	7,542	18,007
91 to 180 days	1,575	5,554
181 to 365 days	2,722	3,658
Over 365 days	5,126	5,241
	<u>16,965</u>	<u>32,460</u>

The average credit period on purchases of certain goods in range from 30 to 90 days (2022: 30 to 90 days).

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, hemodialysis treatment and consultancy service business in the PRC.

The COVID-19 pandemic restrictions in 2022 in the PRC has made it challenging for everyone but the Group's business remains robust and resilient and we are proud to see total revenue of the Group for the year was approximately HK\$173.702 million, representing an increase of approximately HK\$18.879 million as compared to 2022. The gross profit was approximately HK\$56.936 million, representing an increase of approximately HK\$2.702 million as compared to 2022. The profit for the year attributable to the owners of the Company was approximately HK\$1.820 million as a result of the continuing improvement on the Group's operation of the hemodialysis treatment and consultancy service business segment in the PRC.

Total revenue contributed by the hemodialysis treatment and consultancy service business for the year ended 31 March 2023 was approximately HK\$121.424 million, representing an increase of 17.16% as compared to 2022. All employees of the Group spared no effort to actively implement and complete all development goals under the leadership of the Board and the management team, we are proud to see a significant growth rate in this business segment during the year.

Total revenue generated from pharmaceutical wholesale and distribution business for the year ended 31 March 2023 was approximately HK\$52.278 million, representing a slight increase of approximately 2.14% as compared to 2022.

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 consolidated financial statements.

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.

Revenue from this segment was approximately HK\$52.278 million (2022: approximately HK\$51.183 million), representing a slight increase of approximately 2.14%. Loss from this business segment was approximately HK\$1.130 million (2022: Gain from this business segment was approximately HK\$0.007 million).

2) **Hemodialysis treatment and consultancy service business**

In respect of the hemodialysis treatment business, the Group currently operates several self-operated hemodialysis treatment centres spread across the Guangdong Province, PRC.

On 16 November 2022, The Group has terminated the 10 Years Service Contract with Zhuhai Shengchuang Medical Investment Management Limited[#] (the “**Owner**”) (珠海升創醫療投資管理有限公司) (an indirect non wholly-owned subsidiary of the Company) in respect of the operation and management of the hemodialysis centre in the Hospital, namely Zhuhai Jiulong Hospital[#] (the “**Hospital**”) (珠海九龍醫院). The service contract was signed on 13 March 2020. The reason for the originally termination was due to a legal proceedings instituted by a creditor against the Hospital and the bank account of the Hospital was frozen. Such bank account was used to receiving patients’ government subsidies under the medical insurance policy. The hemodialysis centre was unable to receive the said patients’ government subsidies since the bank accounts have been frozen. The Directors took the view that it is in the best interests of the Company and the Shareholders as a whole to terminate the service contract. As of 15 January 2023, the Hospital has fulfilled all obligations including the refund of RMB11 million (equivalent to approximately HK\$11.88 million) of financial assistance to the Owner under the termination agreement. Please refer to the Company’s announcement dated 16 November 2022 for further details.

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

On 31 March 2023, one of the Group's self-operated hemodialysis treatment centres in Huidong, Guangdong, the PRC, namely Huidong Centre was disposed at RMB3.5 million (equivalent to approximately HK\$3.99 million). As of 11 May 2023, the disposal was completed. Please refer to the Company's announcement dated 31 March 2023 for further details.

Revenue from this segment was approximately HK\$121.424 million (2022: approximately HK\$103.640 million), representing an increase of approximately 17.16%. Gain from this business segment was approximately HK\$15.450 million (2022: Loss from this business segment was approximately HK\$38.014 million).

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2023, the Group's revenue from the operating segment had increased considerably. For the year ended 31 March 2023, revenue was approximately HK\$173.702 million (2022: approximately HK\$154.823 million), accounting for an increase of approximately 12.19% as compared to 2022. The increase of revenue was generated from the hemodialysis treatment and consultancy services business in the PRC.

Other revenue

Other revenue, primarily including the government subsidies received from the 2023 Employment Support Scheme in Hong Kong, sundry income and bank interest income amounted to approximately HK\$0.153 million (2022: approximately HK\$0.05 million) for the year ended 31 March 2023.

Selling and distribution expenses

For the year ended 31 March 2023, selling and distribution expenses amounted to approximately HK\$34.798 million (2022: approximately HK\$29.600 million), representing an increase of approximately 17.56% as compared to 2022. The increase in the selling and distribution expenses was due to the increase of marketing expenses, transportation and logistics costs.

Administrative expenses

Administrative expenses for the year ended 31 March 2023 amounted to approximately HK\$24.584 million (2022: approximately HK\$22,250 million). The slight increase was mainly due to the increase of staff training expense and staff costs.

Finance costs

For the year ended 31 March 2023, the finance costs of the Group were approximately HK\$2.018 million (2022: approximately HK\$1.308 million), representing an increase of approximately 54.28% as compared to 2022, due to the interest payment of borrowings.

Profit/(loss) for the year attributable to owners of the Company

The Group had recorded profit for the year attributable to owners of the Company of approximately HK\$1.820 million for the year ended 31 March 2023 (2022: loss for the year attributable to owners of the Company was approximately HK\$50.999 million).

The profit was mainly attributable to, among others, the following reasons:

- (a) the Group has recorded a reversal of allowance for expected credit losses on trade and other receivables of approximately HK\$7.499 million due to a lesser amount for the net allowance for expected credit losses on trade and other receivables required for the year ended 31 March 2023; and
- (b) benefited from the continuing improvement on the Group's operation of the hemodialysis treatment and consultancy service business segment in the PRC, there is no impairment loss on goodwill (the "**Impairment**") required for the year ended 31 March 2023 as compared to the Impairment of approximately HK\$46.630 million recorded for the year ended 31 March 2022.

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 hemodialysis treatment centres and provide hemodialysis consultancy service to hospitals in the PRC so as to expand its operating scale and further penetrate in the market.

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, we will continue to further explore and expand our existing businesses to further penetrate the hemodialysis sector, and it will become the driving force for building our Group's 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\$9.876 million as at 31 March 2023 (2022: approximately HK\$5.768 million). The increase was due to the borrowings and the improvement on the trade receivables settlement. The Group recorded total current assets of approximately HK\$76.869 million as at 31 March 2023 (2022: approximately HK\$81.453 million) and total current liabilities of approximately HK\$38.074 million as at 31 March 2023 (2022: approximately HK\$45.468 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 2023 (2022: approximately 1.79).

Gearing ratio

As at 31 March 2023, the Group's gearing ratio which was calculated based on outstanding debts (comprising borrowings, amount due to a director and lease liabilities) less cash and cash equivalents over total equity (including all capital and reserves attributable to owners of the Company) was approximately 0.13 (2022: approximately 0.15).

Contingent liabilities

As at 31 March 2023, 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 commitment

As at 31 March 2023, the Group had no material capital commitment (2022: Nil).

CAPITAL STRUCTURE

As at 31 March 2023, the total issued share capital of the Company was approximately HK\$28.011 million (2022: approximately HK\$28.011 million) representing 560,222,136 ordinary shares (2022: 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.

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.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains the level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flow. The management manages liquidity risk by monitoring the utilisation of bank borrowings, adequacy of reserves and banking facilities by continuously monitoring forecast and actual cash flows.

EMPLOYEES AND REMUNERATION POLICY

As at 31 March 2023, the Group had 197 (2022: 184) full time employees (including Directors) as shown in the following table:

Location	Number of staff
Hong Kong	5
PRC	192

For the year ended 31 March 2023, staff costs (including directors emoluments) amounted to approximately HK\$20.221 million (2022: approximately HK\$19.247 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 2023, 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.

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

During the year ended 31 March 2023, 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 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

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**”).

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 C.2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision C.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 C.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 2023. 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 2023.

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 3.21 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 2023, 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 2023. The Group's consolidated financial results for the year ended 31 March 2023 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.

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. During the year under review, the Company had revised the Terms of Reference for its Remuneration Committee in order to fully comply with the amendments to the Listing Rules in relation to corporate governance that took effect since 1 January 2023. 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 four meetings during the year ended 31 March 2023.

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 Rule 3.27A and A.2.1 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.

Amendments of the Company's Articles of Association have been made during the year, please refer to the circular of the Company dated 28 July 2022 for details.

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.

As the Board currently comprises 5 male members, the Board considers the need to nominate at least 1 female member into the Board, so as to achieve the board diversity purpose. The Nomination Committee will conduct the selection of right candidate by the end of 2024. We will take initiatives to identify suitable female directors through various channels.

The Nomination and Corporate Governance Committee held two meetings during the year ended 31 March 2023.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the announcement have been agreed by the Group’s auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB Hodgson Impey Cheng Limited on the announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (“**AGM**”) will be held on Friday, 8 September 2023 at 11:00 a.m 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, 5 September 2023 to Friday, 8 September 2023, 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 4 September 2023.

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 2023, 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, 26 June 2023

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Wang Jia Jun, one non-executive Director, namely Dr. Xiao Zhixin, and three independent non-executive Directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Ho Man.