

Interim Report 2013/2014



WANJIA GROUP
萬嘉集團

Wanjia Group Holdings Limited
萬嘉集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 401

HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$1,069.370 million for the six months ended 30 September 2013 as compared to a total turnover of approximately HK\$926.378 million recorded in the corresponding period during the six months ended 30 September 2012, representing an increase of approximately 15.44%.
- Profit attributable to owners of the Company was approximately HK\$20.384 million for the six months ended 30 September 2013 (2012: approximately HK\$20.057 million), representing a slightly increase of approximately 1.63% as compared to the same period last year.
- The Group had total cash and bank balances of approximately HK\$55.907 million as at 30 September 2013 (31 March 2013: approximately HK\$30.676 million).
- The basic and diluted earnings per share was approximately HK3.14 cents (2012: approximately HK3.09 cents).
- The directors do not recommend the payment of an interim dividend (2012: Nil).

INTERIM RESULTS

The board of directors (the “**Board**”) of Wanjia Group Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and six months ended 30 September 2013, together with the unaudited comparative figures for the corresponding periods in 2012 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and six months ended 30 September 2013

	Notes	Three months ended 30 September		Six months ended 30 September	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover	3 & 4	505,792	474,236	1,069,370	926,378
Cost of sales		(461,266)	(432,986)	(979,070)	(846,711)
Gross profit		44,526	41,250	90,300	79,667
Other revenue		2,740	1,828	4,890	5,487
Selling and distribution expenses		(17,405)	(15,676)	(33,641)	(30,758)
Administrative expenses		(15,478)	(12,766)	(25,810)	(22,550)
Profit from operations	5	14,383	14,636	35,739	31,846
Finance costs	6	(1,317)	(1,443)	(2,401)	(2,871)
Profit before taxation		13,066	13,193	33,338	28,975
Taxation	7	(6,464)	(4,265)	(12,881)	(8,854)
Profit for the period		6,602	8,928	20,457	20,121
Other comprehensive income/(loss), net of tax:					
Exchange differences arising on translating foreign operations		1,371	(497)	4,418	(812)
Total comprehensive income for the period		7,973	8,431	24,875	19,309

	Notes	Three months ended 30 September		Six months ended 30 September	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Profit for the period					
attributable to:					
Owners of the Company		6,564	8,893	20,384	20,057
Non-controlling interests		38	35	73	64
		<u>6,602</u>	<u>8,928</u>	<u>20,457</u>	<u>20,121</u>
Total comprehensive income					
attributable to:					
Owners of the Company		7,932	8,433	24,794	19,299
Non-controlling interests		41	(2)	81	10
		<u>7,973</u>	<u>8,431</u>	<u>24,875</u>	<u>19,309</u>
Dividends	15	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
Earnings per share attributable to					
the owners of the Company					
– Basic and diluted (<i>cents</i>)	8	<u>1.01</u>	<u>1.37</u>	<u>3.14</u>	<u>3.09</u>

Condensed Consolidated Statement of Financial Position

At 30 September 2013

		30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment		11,798	10,926
Prepaid lease payments		4,474	4,612
Investment properties		8,157	8,157
Goodwill		785,521	785,521
		<u>809,950</u>	<u>809,216</u>
Current assets			
Inventories		117,942	119,570
Trade and other receivables and deposits	9	406,607	427,399
Amount due from a fellow subsidiary	13	1,305	448
Amount due from the immediate holding company	13	5	5
Pledged bank deposits	10	31,815	3,609
Cash and bank balances		55,907	30,676
		<u>613,581</u>	<u>581,707</u>
Total assets		<u><u>1,423,531</u></u>	<u><u>1,390,923</u></u>
EQUITY			
Capital and reserves			
Share capital	11	6,484	1
Reserves		1,017,883	132,761
Equity attributable to the owners of the Company		<u>1,024,367</u>	132,762
Non-controlling interests		<u>341</u>	439
Total equity		<u><u>1,024,708</u></u>	<u>133,201</u>

		30 September	31 March
		2013	2013
		HKS'000	HKS'000
	Notes	(Unaudited)	(Audited)
LIABILITIES			
Current liabilities			
Trade and other payables	12	316,309	306,758
Amount due to the ultimate holding company	14	3,744	889,426
Amounts due to fellow subsidiaries	14	1,023	1,062
Amounts due to non-controlling shareholders		134	–
Bank borrowings		69,328	50,672
Tax payable		8,285	9,804
		<u>398,823</u>	<u>1,257,722</u>
Total liabilities		<u>398,823</u>	<u>1,257,722</u>
Total equity and liabilities		<u>1,423,531</u>	<u>1,390,923</u>
Net current assets/(liabilities)		<u>214,758</u>	<u>(676,015)</u>
Total assets less current liabilities		<u>1,024,708</u>	<u>133,201</u>

Unaudited Consolidated Statement of Changes in Equity

For the six months ended 30 September 2013

	Attributable to the owners of the Company						Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note (a))	Contribution reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000		
At 1 April 2012	-	-	9,972	13,079	66,448	89,499	294	89,793
Profit for the period	-	-	-	-	20,057	20,057	64	20,121
Other comprehensive loss for the period	-	-	(758)	-	-	(758)	(54)	(812)
Total comprehensive income/(loss) for the period	-	-	(758)	-	20,057	19,299	10	19,309
Issue of shares	1	-	-	-	-	1	-	1
At 30 September 2012	<u>1</u>	<u>-</u>	<u>9,214</u>	<u>13,079</u>	<u>86,505</u>	<u>108,799</u>	<u>304</u>	<u>109,103</u>
	Attributable to the owners of the Company							
	Share capital HK\$'000 (Note (a))	Contribution reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
1 April 2013	1	-	11,471	18,810	102,480	132,762	439	133,201
Profit for the period	-	-	-	-	20,384	20,384	73	20,457
Other comprehensive income for the period	-	-	4,410	-	-	4,410	8	4,418
Total comprehensive income for the period	-	-	4,410	-	20,384	24,794	81	24,875
Issue of Shares pursuant to capitalisation issue	6,483	860,328	-	-	-	866,811	-	866,811
Dividend to non-controlling shareholders	-	-	-	-	-	-	(179)	(179)
At 30 September 2013	<u>6,484</u>	<u>860,328</u>	<u>15,881</u>	<u>18,810</u>	<u>122,864</u>	<u>1,024,367</u>	<u>341</u>	<u>1,024,708</u>

Notes:

- (a) The share capital of the Group as at 30 September 2012 represents the issued share capital of Luxuriant Expand Global Investments Limited and Timely Hero Enterprises Limited prior to the completion of the corporate reorganisation of the Group (the “**Reorganisation**”) in preparation for the listing of the shares of the Company, details of which are explained under the paragraph headed “Reorganisation” in the section headed “History, development and reorganisation” in the listing document of the Company dated 30 September 2013. As at 30 September 2013, the share capital of the Group represents the issued share capital of the Company after the completion of Reorganisation.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2013

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	35,393	(39,243)
Net cash used in investing activities	(1,062)	(244)
Net cash (used in)/generated from financing activities	(12,130)	36,501
Net increase/(decrease) in cash and cash equivalents	22,201	(2,986)
Cash and cash equivalents at 1 April	30,676	48,480
Effect of foreign currency exchange rate changes	3,030	(401)
Cash and cash equivalents at 30 September	<u>55,907</u>	<u>45,093</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2013

1 Corporate information

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

The Company acts as an investment holding company while its subsidiaries are principally engaged in pharmaceutical wholesale and distribution and pharmaceutical retail chain business as in the People's Republic of China ("PRC").

The Company's ultimate holding company is Hua Xia Healthcare Holdings Limited ("Hua Xia"), a company incorporated in the Cayman Islands on 28 May 2001 as an exempted company with limited liability, of which its shares are listed on the Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

For the purpose of applying the listing of the shares of the Company on the Stock Exchange (the "Listing"), the Group underwent the reorganisation (the "Reorganisation"), details of which are explained under the paragraphs headed "Reorganisation" in the section headed "History, development and reorganisation" in the listing document of the Company dated 30 September 2013 (the "Listing Document").

Upon completion of the Reorganisation, Hua Xia in substance transferred its entire equity interests in the companies now comprising the Group to the Company on 3 September 2013. The Group comprising the Company and its subsidiaries resulting from the reorganisation is regarded as a continuing entity.

The condensed consolidated financial statements have been prepared as if the Company has been the holding company of the companies now comprising the Group for the six months ended 30 September 2013 during that period.

The shares of the Company were listed on the main board of the Stock Exchange on 11 October 2013.

2. Basis of preparation and principal accounting policies

The condensed consolidated financial results for the six months ended 30 September 2013 have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs"), which is a collective term includes all applicable Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations (the "Interpretations") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

The unaudited condensed consolidated financial results have been prepared under the historical cost except for certain financial instruments and investment properties, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the six months ended 30 September 2013 are consistent with those used in the preparation of the Listing Document (as detailed under the paragraph headed "Basis of preparation" in Appendix I – Accountants' Report to the Listing Document).

3. Turnover

The principal activities of the Group are pharmaceutical wholesale and distribution business and pharmaceutical retail chain business in the PRC. The Group's turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

4. Segment information

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

Segment revenue and results

	Three months ended 30 September		Six months ended 30 September	
	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Turnover				
– Pharmaceutical wholesale and distribution business	447,549	422,581	955,842	823,964
– Pharmaceutical retail chain business	58,243	51,655	113,528	102,414
	<u>505,792</u>	<u>474,236</u>	<u>1,069,370</u>	<u>926,378</u>
Results				
– Pharmaceutical wholesale and distribution business	15,455	14,576	33,132	28,772
– Pharmaceutical retail chain business	7,079	6,529	13,573	12,111
Unallocated corporate expenses	(8,151)	(6,469)	(10,966)	(9,037)
Profit from operations	14,383	14,636	35,739	31,846
Finance costs	(1,317)	(1,443)	(2,401)	(2,871)
Profit before taxation	13,066	13,193	33,338	28,975
Taxation	(6,464)	(4,265)	(12,881)	(8,854)
Profit for the period	<u>6,602</u>	<u>8,928</u>	<u>20,457</u>	<u>20,121</u>

Note:

Inter-segment sales under pharmaceutical wholesales and distribution business for three months ended 30 September 2013 amounted to approximately HK\$14.556 million (2012: approximately HK\$9.504 million) and for six months ended 30 September 2013 approximately HK\$30.498 million (2012: approximately HK\$22.393 million). Inter-segment sales are charged at arm's length and fully eliminated under consolidation.

*Segment assets and liabilities
As at 30 September 2013*

	Pharmaceutical wholesale and distribution business HK\$'000 (Unaudited)	Pharmaceutical retail chain business HK\$'000 (Unaudited)	Consolidated HK\$'000 (Unaudited)
Assets			
Segment assets	526,374	96,416	622,790
Goodwill			785,521
Unallocated corporate assets			<u>15,220</u>
Consolidated total assets			<u><u>1,423,531</u></u>
Liabilities			
Segment liabilities	347,591	39,569	387,160
Unallocated corporate liabilities			<u>11,663</u>
Consolidated total liabilities			<u><u>398,823</u></u>
As at 31 March 2013			
Assets			
Segment assets	508,405	94,729	603,134
Goodwill			785,521
Unallocated corporate assets			<u>2,268</u>
Consolidated total assets			<u><u>1,390,923</u></u>
Liabilities			
Segment liabilities	333,518	34,704	368,222
Unallocated corporate liabilities			<u>889,500</u>
Consolidated total liabilities			<u><u>1,257,722</u></u>

5. Profit from operations

	Three months ended 30 September		Six months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Profit from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	912	1,033	1,866	2,105
Operating lease rentals in respect of land and building	4,637	3,878	8,997	7,534
Amortisation of prepaid lease payments	46	45	93	91
Cost of inventories sold	461,266	432,986	979,070	846,711
Staff costs (including directors' remuneration)	15,038	13,005	29,385	25,949

6. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2013	2012	2013	2012
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings wholly repayable within five years	1,317	1,443	2,401	2,871

7. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2012: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses in the PRC (2012: approximately 25%).

8. Earnings per share

The calculation of basic earnings per share for the three months ended 30 September 2013 and six months ended 30 September 2013 is based on the profit attributable to owners of the Company of approximately HK\$6.564 million (three months ended 30 September 2012: approximately HK\$8.893 million) and approximately HK\$20.384 million (six months ended 30 September 2012: approximately HK\$20.057 million) respectively and on the assumptions that the 648,405,300 ordinary shares in issue as at the date of listing of the Company's shares on the Stock Exchange were outstanding throughout the entire period for the three months and six months ended 30 September 2013 and 2012.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the three months and six months ended 30 September 2013 and 2012.

9. Trade and other receivables and deposits

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
Trade receivables, net	265,777	345,800
Bill receivables	9,942	7,490
Prepayments and deposits paid	73,593	58,181
Prepaid lease payments	186	184
Other receivables	58,341	16,976
	407,839	428,631
<i>Less: Impairment loss recognised in respect of other receivables</i>	(1,232)	(1,232)
	406,607	427,399

Payment terms with customers from the pharmaceutical wholesale and distribution business, pharmaceutical retail chain business are mainly on credit. Invoices are normally payable from 30 to 90 days of issuance. The following is an aged analysis of trade receivables at the end of the reporting period:

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
0 to 90 days	224,531	284,759
91 to 180 days	20,990	56,130
181 to 365 days	18,558	3,489
Over 365 days	<u>3,135</u>	<u>2,859</u>
	267,214	347,237
<i>Less: Allowance for doubtful debts</i>	<u>(1,437)</u>	<u>(1,437)</u>
	<u><u>265,777</u></u>	<u><u>345,800</u></u>

10. Pledged bank deposits

As at 30 September 2013, the Group had pledged bank deposits of approximately HK\$31.815 million to secure banking facilities granted to the Group (31 March 2013: approximately HK\$3.609 million).

11. Share capital

	Number of shares	Amount HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each at 30 September 2013	<u>2,000,000,000</u>	<u>20,000</u>
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each at 30 September 2013	<u>648,405,300</u>	<u>6,484</u>

As at 31 March 2013, the share capital of the Group represents the issued share capital of the Company, Luxuriant Expand Global Investments Limited and Timely Hero Enterprises Limited prior to completion of the Reorganisation.

12. Trade and other payables

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
Trade payables	206,683	278,309
Bill payables	60,252	4,350
Receipt in advance	19,607	3,016
Accruals and other payables	29,767	21,083
	316,309	306,758

Bill payables were secured by certain pledged bank deposits.

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

	30 September 2013 HK\$'000 (Unaudited)	31 March 2013 HK\$'000 (Audited)
0 to 90 days	118,618	157,368
91 to 180 days	29,707	56,640
181 to 365 days	16,377	51,350
Over 365 days	41,981	12,951
	206,683	278,309

13. Amounts due from a fellow subsidiary/immediate holding company

Amounts due from a fellow subsidiary/immediate holding company are unsecured, interest free and repayable on demand.

14. Amounts due to the ultimate holding company/fellow subsidiaries

Amounts due to the ultimate holding company/fellow subsidiaries are unsecured, interest free and repayable on demand.

15. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2013 (2012: Nil).

16. Related party transactions

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

a) Key management personnel

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

	Six months ended	
	30 September	
	2013	2012
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Salaries, allowances and benefits in kind	387	131
Provident fund contributions	13	6
Total compensation paid to key management personnel	400	137

b) Personal guarantee

Mr. Weng Jiaxing has entered into a personal guarantee agreement on 30 October 2012 with Industrial and Commercial Bank of China Limited to secure banking facilities on behalf of the Group in an aggregate amount of RMB10,000,000 for two years.

c) *Transaction*

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

Name of related parties	Nature of transactions	Six months ended 30 September	
		2013 HK\$'000 (Unaudited)	2012 HK\$'000 (Unaudited)
Fellow subsidiaries	Sales to		
– Edward Hospital Company Limited		1,677	4,111
– Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited		19	629
Ultimate holding company			
– Hua Xia	Administrative service fee paid	6,384	5,129
– Hua Xia	Rental expenses paid	<u>205</u>	<u>32</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2013 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$1,069.370 million (2012: approximately HK\$926.378 million), representing an increase of approximately 15.44% as compared to the same period last year. The rise in turnover was mainly driven by the sales from the pharmaceutical wholesale and distribution segment.

Selling and distribution expenses for the period under review amounted to approximately HK\$33.641 million (2012: approximately HK\$30.758 million), increasing by approximately 9.37%. More selling and distribution expenses incurred due to the expansion of the business scale.

Administrative expenses for the period under review amounted to approximately HK\$25.810 million (2012: approximately HK\$22.550 million), increasing by approximately 14.46%. The increase was mainly related to the expenses incurred for the listing of the Company. By excluding such listing expenses, the Group recorded an increase of administrative expenses by approximately 9.8% to the same period last year which is due to the expansion of the business scale.

Due to the combined factors as stated above, the Group recorded a profit attributable to owners of the Company of approximately HK\$20.384 million for the period under review (2012: approximately HK\$20.057 million), representing a slightly increase of approximately 1.63% as compared to the same period last year.

Business Review and Outlook

Pharmaceutical wholesale and distribution

The Group has a large and broad customer base through our distribution network in Fujian Province in the PRC. The Group distributes pharmaceutical products to our customers located principally in the Fujian Province and also sell pharmaceutical products in neighbouring provinces such as Guangdong, Hunan, Hubei, Jiangxi, Anhui and Zhejiang. Our customers can be categorized into three types – hospitals and healthcare institutions, distributor customers and end customers such as companies operating pharmaceutical retail chain stores, independent pharmacies, and outpatient departments of community hospitals, healthcare service stations and clinics. The turnover contributed by the pharmaceutical wholesale and distribution for the six months ended 30 September 2013 was approximately HK\$955.842 million (2012: approximately HK\$823.964 million), increasing by approximately 16%.

Pharmaceutical retail chain

The Group operates pharmaceutical retail business through Fujian Huihao Sihai Pharmaceutical Chain Company Limited# (福建惠好四海醫藥連鎖有限責任公司) which was accounted for as one of our subsidiaries. The Group offers a wide variety of products in our retail pharmacies including prescription medicines, over-the-counter medicines, healthcare food products, traditional Chinese medicines, medical supplies and medical devices. The Group seeks to introduce new products and services to meet changing customer preferences and to differentiate the Group from our competitors. The turnover contributed by the pharmaceutical retail business for the six months ended 30 September 2013 was approximately HK\$113.528 million (2012: approximately HK\$102.414 million), increasing by approximately 10.85%.

Future Prospects

The management of the Group has realized the potential opportunities in the field and continued to address the needs of the market and the public through refined services and quality products.

The pharmaceutical market consolidation has continued at national and local levels, providing promising opportunities for companies with large scale operations like the Group. Among many of favorable trends, we see potential opportunities for the development of our wholesale and distribution business at hospital levels and also our retail business. The unique composition of the Group in these businesses allows us to take advantage of the market growth. We will continue to see the strong growth of drug delivery to hospitals and wholesales segments while the expansion of retails pharmacies will enlarge the market share in the year 2013/14.

The new financial year 2013/14 will reach the late part of the 12th Five Year Plan in China, and the Group will begin to achieve the fruitful performances supported by the early financial and technical investments and preparation for the businesses. Therefore, the management of the Group will make great efforts to steadily increase our pharmaceutical business.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2013 (2012: Nil).

Liquidity and Financial Resources

The Group had total cash and bank balances of approximately HK\$55.907 million as at 30 September 2013 (31 March 2013: approximately HK\$30.676 million).

The Group recorded total current assets of approximately HK\$613.581 million as at 30 September 2013 (31 March 2013: approximately HK\$581.707 million) and total current liabilities of approximately HK\$398.823 million as at 30 September 2013 (31 March 2013: approximately HK\$1,257.722 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.54 as at 30 September 2013 (31 March 2013: approximately 0.46).

As at 30 September 2013, the total amount of bank loans was approximately HK\$69.328 million (31 March 2013: approximately HK\$50.672 million). Approximately HK\$12.359 million (31 March 2013: approximately HK\$12.359 million) were secured by personal guarantee by Mr. Weng Jiaying and independent third party and approximately HK\$56.969 million (31 March 2013: approximately HK\$38.313 million) were secured by corporate guarantee by independent third parties and inter-group company, carries fixed interest rate at 7.57% to 7.80% per annum (31 March 2013: 7.57% to 7.80% per annum).

Gearing ratio (bank borrowings net of cash and cash equivalent, over shareholders' equity) as at 30 September 2013 was 1.31% (31 March 2013: 15.06%).

Contingent Liabilities

As at 30 September 2013, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors of the Company (the "Directors") to be pending or threatened against any member of the Group (31 March 2013: Nil).

Financing and Treasury Policies

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

Foreign Exchange Risk

Almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk. As the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the period, the Directors believe that the potential foreign exchange exposure to the Group is limited. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the six months ended 30 September 2013.

Material Acquisitions and Disposals

For the six months ended 30 September 2013, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

Charges on the Group's Assets

As at 30 September 2013, the Group's bank deposits of approximately HK\$31.815 million (31 March 2013: approximately HK\$3.609 million) was pledged as collateral to secure general banking facilities granted to the Group.

Employee Information

As at 30 September 2013, the Group had 1,196 (31 March 2013: 1,204) full time employees. During the six months ended 30 September 2013, the staff costs, including Directors' remuneration, totalled approximately HK\$29.385 million (31 March 2013: approximately HK\$53.333 million). Share options and bonuses are also available to the Group's employees at the discretion of the Board and depending upon the financial performance of the Group.

Significant Events After the Reporting Period

On 11 October 2013, the Company completed the listing of its shares on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of introduction (the "**Listing**").

Save as disclosed above, there was no other significant event took place subsequent to the end of the reporting period.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES, UNDERLYING SHARES AND DEBENTURES

Disclosure of Interests

(a) **Directors' interests and short positions in the securities of the Company and its associated corporations**

As at 30 September 2013, the Company was indirectly wholly owned by Hua Xia Healthcare Holdings Limited (“**Hua Xia**”). As the shares of the Company were not yet listed on the Stock Exchange, Section 352 of the Securities and Futures Ordinance (Cap 571, laws of Hong Kong) (“**SFO**”) was then not applicable to the Company and the Directors.

Immediately following the Listing on 11 October 2013, the interests and short positions of the directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) contained in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), were as follows:

(i) *Interests in shares of the Company:*

<u>Name of director</u>	<u>Nature of interest</u>	<u>Number of shares</u>	<u>Position</u>	<u>Approximate percentage of the total issued shares</u>
Mr. Weng Jiaxing	Personal interest	281,250	Long	0.04%
Mr. Chen Yong	Personal interest	80,000	Long	0.01%

(ii) *Interests in the issued share capital of the Company's associated corporation*

Name of director	Name of associated corporation	Capacity/ Nature of interest	Number of Shares	Position	Approximate percentage of shareholding in the associated corporation's issued share capital
Mr. Weng Jiaying	Hua Xia (Note 1)	Beneficial interest	1,406,250	Long	0.13%
Mr. Chen Yong	Hua Xia (Note 1)	Beneficial interest	400,000	Long	0.04%

Note 1: Hua Xia held the entire issued share capital of Greatly Wealth Global Group Limited (“**Greatly Wealth**”), a company incorporated in the British Virgin Islands (“**BVI**”) with limited liability, which is in turn interested in 411,917,648 shares of the Company (representing approximately 63.53% of the issued share capital of the Company). Therefore, Hua Xia is an associated corporation of the Company for the purposes of the SFO.

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

As at 30 September 2013, the Company was indirectly wholly owned by Hua Xia. Since the shares of the Company were not yet listed on the Stock Exchange, Divisions 2 and 3 of Part XV of the SFO and section 336 of the SFO were then not applicable to the Company and its substantial shareholders.

Immediately following the Listing on 11 October 2013, the following persons (other than the directors or the chief executive of the Company) had an interest or a short position in the shares or underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

(i) *Long positions in shares of the Company:*

Name of shareholder	Capacity	Position	Number of shares	Approximate percentage of the total issued shares
Hua Xia (Note 1)	Interested in controlled corporation	Long	411,917,648	63.53%
Greatly Wealth (Note 1)	Beneficial owner	Long	411,917,648	63.53%
Mr. Yung Kwok Leong (Note 2)	Interested in controlled corporation	Long	24,192,100	3.73%
	Beneficial owner	Long	47,009,375	7.25%
Marshal International Investments Limited (Note 2)	Interested in controlled corporation	Long	24,192,100	3.73%
Easeglory Holdings Limited (Note 2)	Beneficial owner	Long	24,192,100	3.73%
Mrs. Yung Muk Ying (Note 3)	Interest of spouse	Long	71,201,475	10.98%

Notes:

1. Greatly Wealth is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Hua Xia. By virtue of the SFO, Hua Xia is deemed to be interested in the entire 411,917,648 shares held by Greatly Wealth.
2. Easeglory Holdings Limited (“**Easeglory**”) is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Marshal International Investments Limited (“**Marshal**”), a company incorporated in the BVI with limited liability and is wholly and beneficially owned by Mr. Yung Kwok Leong (“**Mr. Yung**”). By virtue of the SFO, both Marshal and Mr. Yung are deemed to be interested in the entire 24,192,100 shares held by Easeglory.
3. Mrs. Yung Muk Ying, the spouse of Mr. Yung, is deemed to be interested in 71,201,475 shares held by Mr. Yung in person or through his controlled corporations under the SFO.

(ii) *Long position in shares of the associated corporation*

Name of associated corporation	Name of registered owner	Capacity	Position	Number of shares in the associated corporation	Approximate percentage of shareholding in the associated corporation's issued share capital
Greatly Wealth	Hua Xia	Beneficial owner	Long	200 shares of US\$1 each	100%

DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

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

SHARE OPTION SCHEMES

On 24 September 2013, the Company adopted a share option scheme (the "**Share Option Scheme**") whereby the Board can grant options for the subscription of our shares to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the "**Participants**") as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme was 64,840,530 shares, which is equivalent to 10% of the issued capital of the Company after completion of the Listing on the Stock Exchange. The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Listing. Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to a Participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined

in the Listing Rules) of the Company or the independent non-executive Directors or any of their respective associates (as defined in the Listing Rules)), or the total number of shares that may be granted under the options to the substantial shareholders of the Company or the independent non-executive Directors or any of their respective associates shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board; however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the shares on the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (c) nominal value of the share. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

Since the Share Option Scheme was adopted, no options have been granted up to the date of this interim report.

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

There was no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries, since the listing of the shares of the Company on 11 October 2013.

PRE-EMPTIVE RIGHTS

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

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry with all Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code since the listing date of the Company and up to the date of this interim report.

CORPORATE GOVERNANCE

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. To the knowledge of the Board, the Company had fully complied with the code provisions in the Corporate Governance Code since the date of listing of the Company's shares on the Stock Exchange on 11 October 2013, except for the following deviation from the code provisions:

The code provision A.2.1 of the CG Code prescribed, among others, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual.

The roles of chairman and chief executive officer of the Company are not segregated and are exercised by the same individual. Mr. Weng Jiaying serves as the chairman and chief executive officer. The Board believes that vesting the roles of the Chairman and the chief executive officer in the same person provides consistent and sustainable development of the Group, strong and consistent leadership in the Company's decision making and operational efficiency.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 24 September 2013 in compliance with written terms of reference in compliance with Rule 3.25 of the Listing Rules. The Remuneration Committee consists of Mr. Chen Yong, an executive director of the Company and two independent non-executive directors, namely Mr. Wong Hon Kit, Mr. Zhu Donghai. Mr. Wong Hon Kit is the chairman of the Remuneration Committee.

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

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination and Corporate Governance Committee was established on 24 September 2013 in compliance with written terms of reference in compliance with paragraphs A.5.1 and D.3.1 of Appendix 14 to the Listing Rules. The Nomination and Corporate Governance Committee consists of Mr. Weng Jiaying, an executive director of the Company and three independent non-executive directors, namely Mr. Liang Yichi, Mr. Wong Hon Kit and Mr. Zhu Donghai. Mr. Weng Jiaying is the chairman of the Nomination and Corporate Governance Committee.

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

AUDIT COMMITTEE

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

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

The Group's unaudited condensed consolidated results for the six months ended 30 September 2013 were reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures were made.

SUFFICIENCY OF PUBLIC FLOAT

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

By order of the Board
Wanjia Group Holdings Limited
Weng Jiaxing
Chairman

Hong Kong, 13 November 2013

for identification purpose only