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)

SUPPLEMENTAL ANNOUNCEMENT

Reference are made to the profit warning announcement (the "**Announcement**") of the Company (the "**Company**", together with its subsidiaries, the "**Group**") dated 1 August 2014 and the annual report of the Company for the year ended 31 March 2014. Unless otherwise defined, terms used in this announcement shall have the same meaning as those defined in the Announcement.

The Board would like to inform the Shareholders and investors that in arriving impairment of approximately HK$785 million as at 30 June 2014 as compared with no impairment as at 31 March 2014, the Company has changed certain assumptions in preparing the financial projection for the forecast period from 1 April 2014 to 31 March 2019 (the "**Forecast Period**").

Set out below are the major changes in assumptions in relation to the financial projections and valuation of Nurture Fit Limited, an indirect wholly owned subsidiary of the Company as at 31 March 2014 and 30 June 2014:

REVENUE

The increase in forecast revenue generated from pharmaceutical retail chain business for the year ending 31 March 2015 changes from 14% to 8%. The projected growth rate for the remaining Forecast Period remains at approximately 10% per year which is consistent with the mild inflation in the PRC.

The forecast revenue generated from pharmaceutical wholesale and distribution business changes from a compound annual increase of approximately 12% during the Forecast Period to a decrease of approximately 30% for the year ending 31 March 2015, an increase of 5% in year ending 31 March 2016 and with stable increment of approximately 10% for the remaining Forecast Period.

As mentioned in the Announcement, as a result of the promulgation and implementation of the New GSP in Fujian Province, the PRC in April 2014 which imposes stringent regulations on pharmaceutical distributor operation and causes significant decrease in pharmaceutical wholesale business of the Group. According to subsequent publications of relevant government policies in effect, only 10 medicine distributors remained on the enterprise list and those unqualified distributors are not qualified to supply pharmaceutical products to public hospitals and healthcare institutions under new tenders commensurate with New GSP. Majority of the existing distributor customers of the Group, who are not on the new GSP qualified enterprise list, are expected to walk out from the sector. As a result, the projected sale revenues from the wholesale business are expected to tumble over the projection period.

Also, due to the constraint of the existing direct sale distribution facilities of the Group where it is unable to cater for all the public hospitals and public healthcare institutions over the whole Fujian Province, the Group is expected to take up only part of the market shares on distribution sale business which are covered by those existing distributor customers. As a result, there shall be dropped in the overall market share of the Group over the wholesale and distribution segment.

GROSS PROFIT

The gross profit margin for sales of wholesales and distribution business changes from approximately 6% to 5% for the Forecast Period. The gross profit margin for sales of pharmaceutical retail chain business is expected to remain at approximately 40% during the Forecast Period.

The overall gross profit margin is estimated to change from approximately 9.75% to 10.5% during the Forecast Period and the estimated sales ratio by segment between pharmaceutical retail business and pharmaceutical wholesales and distribution business changes from 11% : 89% to 17% : 83% during the Forecast Period.

The rise in the projected overall gross profit margin is attributable to the increase in the proportion of revenues from the retail chain business having relatively higher gross profit margin.

EARNINGS BEFORE TAXATION

The selling and distribution and administrative expenses are estimated to change from approximately 4.5% to approximately 7.5% during the Forecast Period.

Higher selling, distribution and administrative cost-to-revenue ratio is projected as higher selling and distribution costs would be needed for the direct sale to hospital distribution business. Therefore, the earnings before taxation are expected to be reduced accordingly.

DISCOUNT RATE

The discount rate used in the valuation of goodwill as at 31 March 2014 and 30 June 2014 slightly changes from approximately 10.33% to approximately 10.10% to reflect specific risks relating to the relevant business and consistent with external source of information.

VALUATION METHOD

There is no change in the valuation method for the valuation reports as at 31 March 2014 and 30 June 2014 respectively. A discount cash flow method was adopted.

The Company would like to remind Shareholders and potential investors that the above-mentioned assumptions and inputs for the financial projection made for the Forecast Period are only based on the preliminary assessment made by the Board with reference to the unaudited consolidated management financial statements of the Group and information currently available, and such assumptions and inputs have not been reviewed and confirmed by the Company's auditors.

Shareholders and potential investors are advised to exercise caution when dealing in the securities of the Company.

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

Hong Kong, 19 September 2014

As at the date of this announcement, the Board comprises two executive Directors namely Mr. Weng Jiaxing and Mr. Chen Yong, and three independent non-executive Directors namely Mr. Liang Yichi, Mr. Wong Hon Kit and Dr. Liu Yongping.