



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

Interim Report 2014/2015

HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$841.754 million for the six months ended 30 September 2014 as compared to a total turnover of approximately HK\$1,069.370 million recorded in the corresponding period during the six months ended 30 September 2013, representing a decrease of approximately 21.29%.
- Loss attributable to owners of the Company was approximately HK\$778.184 million for the six months ended 30 September 2014 (2013: profits attributable to owners of the Company of approximately HK\$20.384 million).
- The Group had total cash and cash equivalents of approximately HK\$62.039 million as at 30 September 2014 (31 March 2014: approximately HK\$43.638 million).
- The basic and diluted loss per share was approximately HK120 cents (2013: Basic and diluted earnings per share of approximately HK3.14 cents).
- The directors do not recommend the payment of an interim dividend (2013: 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 2014, together with the unaudited comparative figures for the corresponding periods in 2013 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2014

	Notes	Three months ended 30 September		Six months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover	3 & 4	443,208	505,792	841,754	1,069,370
Cost of sales		<u>(401,654)</u>	<u>(461,266)</u>	<u>(760,641)</u>	<u>(979,070)</u>
Gross profit		41,554	44,526	81,113	90,300
Other revenue and income		323	2,740	6,275	4,890
Selling and distribution expenses		(24,053)	(17,405)	(43,977)	(33,641)
Administrative expenses		(16,950)	(15,478)	(26,664)	(25,810)
Impairment loss on goodwill		–	–	(785,483)	–
(Loss)/profit from operations	5	874	14,383	(768,736)	35,739
Finance costs	6	(2,153)	(1,317)	(4,027)	(2,401)
(Loss)/profit before taxation		(1,279)	13,066	(772,763)	33,338
Taxation	7	(2,218)	(6,464)	(5,641)	(12,881)
(Loss)/profit for the period		(3,497)	6,602	(778,404)	20,457
Other comprehensive income for the period, net of tax					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translating foreign operations		518	1,371	327	4,418
Total comprehensive (loss)/income for the period		(2,979)	7,973	(778,077)	24,875

	Notes	Three months ended 30 September		Six months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
(Loss)/profit for the period attributable to:					
Owners of the Company		(3,264)	6,564	(778,184)	20,384
Non-controlling interests		(233)	38	(220)	73
		<u>(3,497)</u>	<u>6,602</u>	<u>(778,404)</u>	<u>20,457</u>
Total comprehensive (loss)/income for the period attributable to:					
Owners of the Company		(2,775)	7,932	(777,887)	24,794
Non-controlling interests		(204)	41	(190)	81
		<u>(2,979)</u>	<u>7,973</u>	<u>(778,077)</u>	<u>24,875</u>
Dividends	16	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
(Loss)/earnings per share attributable to owners of the Company					
– Basic and diluted (HK cents per share)	8	<u>(0.50)</u>	<u>1.01</u>	<u>(120)</u>	<u>3.14</u>

Condensed Consolidated Statement of Financial Position*At 30 September 2014*

		30 September 2014	31 March 2014
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		13,756	12,569
Prepaid lease payments		4,425	4,509
Investment properties		8,324	8,306
Goodwill	9	743	785,521
		<u>27,248</u>	<u>810,905</u>
Current assets			
Inventories		142,867	128,541
Trade and other receivables and deposits	10	468,350	427,984
Amounts due from fellow subsidiaries	13	8,935	2,956
Amount due from the immediate holding company	13	16	5
Financial assets at fair value through profit or loss		1,262	1,259
Pledged bank deposits	11	35,260	17,431
Cash and cash equivalents		62,039	43,638
		<u>718,729</u>	<u>621,814</u>
Current liabilities			
Trade and other payables	12	358,909	283,080
Amount due to the ultimate holding company	14	4,289	4,008
Amounts due to fellow subsidiaries	14	11	1,032
Amounts due to non-controlling shareholders		134	134
Bank borrowings		100,888	88,088
Tax payables		4,156	10,654
		<u>468,387</u>	<u>386,996</u>
Net current assets		<u>250,342</u>	<u>234,818</u>
Total assets less current liabilities		<u>277,590</u>	<u>1,045,723</u>

		30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
	Notes		
Capital and reserves			
Share capital	15	6,484	6,484
Reserves		260,936	1,038,823
Equity attributable to owners of the Company		267,420	1,045,307
Non-controlling interests		10,170	416
Total equity		277,590	1,045,723

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2014

	Attributable to owners of the Company							Non-controlling interests	Total	
	Share capital	Share premium	Other reserve	Contribution reserve	Translation reserve	Statutory reserve	Retained earnings			Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2013 (audited)	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 paid to non-controlling shareholders	-	-	-	-	-	-	-	-	(179)	(179)
At 30 September 2013 (unaudited)	6,484	-	-	860,328	15,881	18,810	122,864	1,024,367	341	1,024,708
	Attributable to owners of the Company							Non-controlling interests	Total	
	Share capital	Share premium	Other reserve	Contribution reserve	Translation reserve	Statutory reserve	Retained earnings			Sub-total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2014 (audited)	6,484	(7,653)	(6,483)	866,811	15,938	29,128	141,082	1,045,307	416	1,045,723
Loss for the period	-	-	-	-	-	-	(778,184)	(778,184)	(220)	(778,404)
Other comprehensive income for the period	-	-	-	-	297	-	-	297	30	327
Total comprehensive income/(loss) for the period	-	-	-	-	297	-	(778,184)	(777,887)	(190)	(778,077)
Increase in non-controlling interests resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	9,944	9,944
At 30 September 2014 (unaudited)	6,484	(7,653)	(6,483)	866,811	16,235	29,128	(637,102)	267,420	10,170	277,590

Notes:

- (a) The share capital of the Group as at 1 April 2013 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 2014, the share capital of the Group represents the issued share capital of the Company after the completion of Reorganisation.

- (b) The share premium amounted to approximately HK\$7,653,000 represents the capitalised listing expenses arising from the listing of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 11 October 2013.
- (c) Upon the completion of the reorganisation on 3 September 2013, the amount of approximately HK\$6,483,000 represented the difference between the Company’s share of nominal value of the paid-up capital of the subsidiaries acquired over the Company’s cost of acquisition of the subsidiaries under common control upon the reorganisation as detailed in the prospectus of the Company dated 30 September 2013.
- (d) Contribution reserve represents capitalisation of the outstanding amount of approximately HK\$866,811,000 due from Timely Hero to Hua Xia Healthcare Holdings Limited (“**Hua Xia**”) on 3 September 2013 in consideration of (i) the allotment and issue 1 share of US\$1 in the share capital of Timely Hero to Luxuriant Expand, credited as fully paid up, at the direction of Hua Xia; and (ii) the allotment and issue of a total of 100 shares of US\$1 each in the share capital of Luxuriant Expand, all credited as fully paid up to Hua Xia in consideration of its receipt of 1 share in Timely Hero at the direction of Hua Xia. Details of the reorganisation were set out in the paragraph headed “The Reorganisation” in the section headed “Corporate history, development and Reorganisation” in the prospectus of the Company dated 30 September 2013.

Condensed Consolidated Statement of Cash Flows*For the six months ended 30 September 2014*

	Six months ended	
	30 September	
	2014	2013
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash generated from operating activities	45,920	35,393
Net cash used in investing activities	(9,160)	(1,062)
Net cash used in financing activities	(18,559)	(12,130)
Net increase in cash and cash equivalents	18,201	22,201
Cash and cash equivalents at 1 April	43,638	30,676
Effect of foreign currency exchange rate changes	200	3,030
Cash and cash equivalents at 30 September	62,039	55,907

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2014

1 Corporate information

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

The principal activity of the Company is investment holding. The Group is principally engaged in pharmaceutical wholesale and distribution and pharmaceutical retail chain business in the People's Republic of China ("PRC").

The Company's shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") since 11 October 2013. The Company's immediate holding company is Greatly Wealth Global Group Limited ("**Greatly Wealth**"), a company incorporated in British Virgin Islands ("**BVI**"). Greatly Wealth is a directly wholly-owned subsidiary of 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, shares of which are listed on the Growth Enterprise Market ("**GEM**") of the Stock Exchange and it is the ultimate holding company of the Company.

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

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

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

2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2014 (“**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (the “**Interpretations**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Listing Rules of the Stock Exchange (the “**Listing Rules**”). The Interim Financial Statements have been prepared under the historical cost convention except for certain financial assets and investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration of given in exchange of assets.

The accounting policies adopted in preparing the Interim Financial Statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2014 (the “**2013/14 Financial Statements**”), except for the new and revised standards, amendments and interpretations of HKFRSs (“**new and revised HKFRSs**”) issued by HKICPA which have become effective in this period as detailed in notes to the 2013/2014 Financial Statements. The directors of the Company believe that the application of these new and revised HKFRSs has no material impact on the amounts reported and disclosures set out in these Interim Financial Statements.

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 delivered. 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	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Turnover				
– Pharmaceutical wholesale and distribution business	399,202	447,549	738,307	955,842
– Pharmaceutical retail chain business	44,006	58,243	103,447	113,528
	<u>443,208</u>	<u>505,792</u>	<u>841,754</u>	<u>1,069,370</u>
Results				
– Pharmaceutical wholesale and distribution business	4,845	15,455	(768,101)	33,132
– Pharmaceutical retail chain business	(2,119)	7,079	2,114	13,573
Unallocated corporate expenses	(1,852)	(8,151)	(2,749)	(10,966)
(Loss)/profit from operations	874	14,383	(768,736)	35,739
Finance costs	(2,153)	(1,317)	(4,027)	(2,401)
(Loss)/profit before taxation	(1,279)	13,066	(772,763)	33,338
Taxation	(2,218)	(6,464)	(5,641)	(12,881)
(Loss)/profit for the period	<u>(3,497)</u>	<u>6,602</u>	<u>(778,404)</u>	<u>20,457</u>

Note:

Inter-segment sales under pharmaceutical wholesales and distribution business for three months ended 30 September 2014 amounted to approximately HK\$18.751 million (2013: approximately HK\$14.556 million) and for six months ended 30 September 2014 approximately HK\$29.244 million (2013: approximately HK\$30.498 million). Inter-segment sales are charged at arm's length and fully eliminated under consolidation.

Segment assets and liabilities

	Pharmaceutical wholesale and distribution business HK\$'000	Pharmaceutical retail chain business HK\$'000	Consolidated HK\$'000
<i>As at 30 September 2014 (unaudited)</i>			
Assets			
Segment assets	604,138	134,734	738,872
Goodwill			743
Unallocated corporate assets			<u>6,362</u>
Consolidated total assets			<u><u>745,977</u></u>
Liabilities			
Segment liabilities	408,473	53,124	461,597
Unallocated corporate liabilities			<u>6,790</u>
Consolidated total liabilities			<u><u>468,387</u></u>
<i>As at 31 March 2014 (audited)</i>			
Assets			
Segment assets	522,781	115,488	638,269
Goodwill			785,521
Unallocated corporate assets			<u>8,929</u>
Consolidated total assets			<u><u>1,432,719</u></u>
Liabilities			
Segment liabilities	341,356	39,030	380,386
Unallocated corporate liabilities			<u>6,610</u>
Consolidated total liabilities			<u><u>386,996</u></u>

5. (Loss)/profit from operations

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	753	912	1,397	1,866
Operating lease rentals in respect of land and building	6,088	4,637	12,066	8,997
Amortisation of prepaid lease payments	45	46	94	93
Cost of inventories sold	401,654	461,266	760,641	979,070
Staff costs (including directors' remuneration)	17,107	15,038	34,281	29,385

6. Finance costs

	Three months ended		Six months ended	
	30 September		30 September	
	2014	2013	2014	2013
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest expenses on bank borrowings wholly repayable within five years	2,153	1,317	4,027	2,401

7. Taxation

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2013: 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 (2013: approximately 25%).

8. (Loss)/earnings per share

The calculation of basic loss per share for the three months ended 30 September 2014 and six months ended 30 September 2014 was based on the loss attributable to owners of the Company of approximately HK\$3.264 million (three months ended 30 September 2013: profit attributable to owners of the Company of approximately HK\$6.564 million for the basic earnings per share) and approximately HK\$778.184 million (six months ended 30 September 2013: profit attributable to owners of the Company of approximately HK\$20.384 million for the basic earnings per share) respectively and on the weighted average number of ordinary shares of 648,405,300 shares (2013: 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).

Diluted (loss)/earnings per share were same as the basic (loss)/earnings per share as there were no potential dilutive ordinary shares in existence during the three months and six months ended 30 September 2014 and 2013.

9. Goodwill

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Balance b/f	785,521	785,521
Additions for the period/year	705	–
	786,226	785,521
Impairment	(785,483)	–
Balance c/f	743	785,521

10. Trade and other receivables and deposits

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Trade receivables, net	290,254	271,763
Bill receivables	5,203	7,748
Prepayments and deposits paid	121,478	127,116
Prepaid lease payments	188	188
Other receivables	52,381	22,321
	469,504	429,136
<i>Less: Impairment loss recognised in respect of trade receivables</i>	(1,154)	(1,152)
	468,350	427,984

Payment terms with customers from the pharmaceutical wholesale and distribution business and 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 based on invoice date at the end of the reporting period:

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
0 to 90 days	218,864	223,387
91 to 180 days	32,068	27,562
181 to 365 days	8,250	15,439
Over 365 days	32,411	6,711
	291,593	273,099
<i>Less: Impairment loss recognised in respect of trade receivables</i>	(1,339)	(1,336)
	290,254	271,763

11. Pledged bank deposits

As at 30 September 2014, the Group had pledged bank deposits of approximately HK\$35.260 million to secure banking facilities granted to the Group (31 March 2014: approximately HK\$17.431 million).

12. Trade and other payables

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
Trade payables	232,959	192,298
Bill payables	73,409	36,070
Receipt in advance	2,718	22,949
Accruals and other payables	49,823	31,763
	358,909	283,080

Bill payables were secured by certain pledged bank deposits.

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

	30 September 2014 HK\$'000 (Unaudited)	31 March 2014 HK\$'000 (Audited)
0 to 90 days	163,945	131,694
91 to 180 days	30,565	15,492
181 to 365 days	16,780	18,504
Over 365 days	21,669	26,608
	232,959	192,298

13. Amounts due from fellow subsidiaries/immediate holding company

Amounts due from fellow subsidiaries/immediate holding company are unsecured, interest free and recoverable 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. Share capital

	Number of shares	Nominal value of ordinary shares HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each at 31 March 2014 and 30 September 2014	2,000,000,000	20,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each at 31 March 2014 and 30 September 2014	648,405,300	6,484

16. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2014 (2013: Nil).

17. Related party transactions

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

a) Key management personnel

Remuneration for key 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	
	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	390	387
Provident fund contributions	13	13
Total compensation paid to key management personnel	403	400

b) Personal guarantee

Mr. Yung Kwok Leong who is a substantial shareholder of ultimate holding company, he has entered into a personal guarantee agreement on 14 March 2014 with China CITIC Bank Corporation Limited to secure banking facilities on behalf of the Group in aggregate amount of RMB10,000,000 for one and half years.

c) Transaction

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

Name of related parties	Nature of transactions	Six months ended 30 September	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
Fellow subsidiaries	Sales		
– Edward Hospital Company Limited		1,262	1,677
– Jiaxing City Shuguang Western and Chinese Composite Hospital Company Limited		53	19
Ultimate holding company			
– Hua Xia	Administrative service fee paid	–	6,384
– Hua Xia	Rental expenses paid	–	205
– Hua Xia	License fee paid	206	–

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2014 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$841.754 million (2013: approximately HK\$1,069.370 million), representing decrease of approximately 21.29% as compared to the same period last year. The decrease in turnover was mainly attributable to decrease in revenue generated from the pharmaceutical wholesales segment as a result of the promulgation and implementation of new Good Supply Practice (“**New GSP**”) in Fujian, the People’s Republic of China in April 2014 which imposes stringent regulations on pharmaceutical distributor operation. Under the New GSP, with effect from the year 2016, only selected pharmaceutical distributors are allowed to distribute medicine to the public hospitals and public healthcare institutions. At the beginning of the promulgation of the proposed tightening policy in April 2014, the effect of the New GSP on the medicine distribution industry as well as the effect on the business of Wanjia is uncertain in both short and long term. However, in view of the New GSP, our existing distributor customers have become very prudent in placing the purchase order to our Group and the repayment period for them increase steadily, we therefore prudently tightened the credit policy to the distributor customers gradually during the six months period ended 30 September 2014. As such, the sale to our distributor customer have been decreased by approximately 22.76% compared to the corresponding period in year 2013.

Gross profit margin of the Group was approximately 9.64% for the six months ended 30 September 2014, compared to the gross profit margin of approximately 8.44% in the corresponding period in year 2013, representing slightly increase of approximately 1.20%.

The Group has recorded a loss from operations for the six months ended 30 September 2014 of approximately HK\$768.736 million as compared to the profit from operations of approximately HK\$35.739 million recorded in the corresponding period in year 2013. The loss from operation for the current period was mainly contributed to the impairment loss on goodwill of approximately HK\$785.483 million. By excluding such effect, the Group recorded a loss from operations of approximately HK\$16.747 million in current period. Operating loss margin excluding the effect of impairment loss on goodwill for the six months ended 30 September 2014 was approximately 1.99% (2013: operating profit margin of approximately 3.34%), representing a decrease compared to the corresponding period in year 2013.

Selling and distribution expenses for the period under review amounted to approximately HK\$43.977 million (2013: approximately HK\$33.641 million), increasing by approximately 30.72% as compared to the same period last year. More selling and distribution expenses incurred mainly attributable to the increase in both salaries and rental expense arising from the increase in both the number of sales and marketing personnel employed by the Group and the number of retail pharmacies during the six months ended 30 September 2014 compared to the corresponding period in year 2013.

Administrative expenses for the period under review amounted to approximately HK\$26.664 million (2013: approximately HK\$25.810 million), slightly increasing about 3.31%.

In August 2014, Fujian Food and Drug Administration (福建省食品藥品監督管理局) announced the 10 companies which are permitted to conduct the business in the distribution to public hospitals and public healthcare institutions after 2016, in which the operating subsidiary of the Company, namely 福建省福州市惠好藥業有限公司 (Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd[#]) is on the list. Notwithstanding this recognition as a qualified participant in the distribution industry is encouraging, the effect of the implementation of the New GSP and any future policy development on the hospital distribution business of the Group remains uncertain. Having taken into account the financial performance as of June 2014, the Board reviewed again the potential effects of the New GSP on the distribution business in late July 2014 and prudently lowered the forecasted performance in sales to distributor customers, therefore, it triggers impairment loss on the goodwill. The carrying amount of goodwill was tested for impairment as at 30 June 2014. The impairment test compared the discounted cash flow of the cash-generating units (CGUs) to the carrying amounts of the CGUs. The recoverable amounts of the CGUs were significantly less than the carrying value of goodwill and impairment loss is recorded in the period under review. During the period under review, the net loss was mainly attributable to the impairment loss on the goodwill of approximately HK\$785.483 million. As a result, the Group reported a loss attributable to owners of the Company of approximately HK\$778.184 million for the six months ended 30 September 2014 (2013: profit attributable to owners of the Company of approximately HK\$20.384 million).

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 sells pharmaceutical products in neighboring provinces such as Guangdong, Hunan, Hubei, Jiangxi, Anhui and Zhejiang. Our customers can be categorized into three types namely hospitals and healthcare institutions, distributor customers and end customers such as companies operating pharmaceutical retail chain stores, independent pharmacies, and outpatient departments of community hospitals, healthcare service stations and clinics. The turnover generated from the pharmaceutical wholesale and distribution business for the six months ended 30 September 2014 was approximately HK\$738.307 million (2013: approximately HK\$955.842 million), decreasing by approximately 22.76% as compared to the same period last year. The decrease was mainly attributable to the reduction in sales to distributor customers due to the stringent regulations after the promulgation and implementation of the New GSP.

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 generated from pharmaceutical retail chain business for the six months ended 30 September 2014 amounted to approximately HK\$103.447 million (2013: approximately HK\$113.528 million), representing a slightly decrease of approximately 8.88% compared to the same period last year.

As at 30 September 2014, we directly operated 113 retail pharmacies in six prefectural – level districts of the Fujian Province in the PRC under the brand name “Huihao Sihai”.

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

Future Prospects

The management of the Group expects that the pharmaceutical market will remain challenging for the rest of 2014. The management has noticed the results of the Group for the six months ended 30 September 2014 was less favorable than the corresponding period in year 2013. Although the challenges remain, the management of the Group will adapt to the changing business environment with effective and efficient measures. We will continue to keep focus on further strengthen the drug delivery to hospitals and expansion the retail pharmacies in the rest of year 2014/15. The management of the Group remains optimistic about the promising pharmaceutical sector in the PRC for the long-run including but not limited to possible future investments in or cooperation with wholesales and distribution companies in PRC and enhances shareholders' returns in the long run.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2014 (2013: Nil).

Liquidity and Financial Resources

The Group had total cash and cash equivalents of approximately HK\$62.039 million as at 30 September 2014 (31 March 2014: approximately HK\$43.638 million).

The Group recorded total current assets of approximately HK\$718.729 million as at 30 September 2014 (31 March 2014: approximately HK\$621.814 million) and total current liabilities of approximately HK\$468.387 million as at 30 September 2014 (31 March 2014: approximately HK\$386.996 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.53 as at 30 September 2014 (31 March 2014: approximately 1.61).

As at 30 September 2014, the total amount of bank loans was approximately HK\$100.888 million (31 March 2014: approximately HK\$88.088 million). Approximately HK\$63.980 million (31 March 2014: approximately HK\$62.920 million) were secured by corporate guarantee by intra-group company, carries variable interest rates at 7.84% and 8.40% (31 March 2014: 7.78% to 8.40%) and approximately HK\$24.77 million and 20.00 million (31 March 2014: approximately HK\$25.168 million) were secured by corporate guarantee by intra-group company, carries fixed interest rate at 8.1% and 9.0% per annum respectively (31 March 2014: 8.10% per annum).

Gearing ratio (bank borrowings net of cash and cash equivalent, over equity attributable to owners of the Company) as at 30 September 2014 was approximately 14.53% (31 March 2014: approximately 4.25%).

Contingent Liabilities

As at 30 September 2014, 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 2014: 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 2014.

Material Acquisitions and Disposals

For the six months ended 30 September 2014, 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 2014, the Group's bank deposits of approximately HK\$35.260 million (31 March 2014: approximately HK\$17.431 million) was pledged as collateral to secure general banking facilities granted to the Group.

Capital Commitments

As at 30 September 2014, the Group had no material capital commitment.

Employee Information

As at 30 September 2014, the Group had 1,336 (31 March 2014: 1,176) full time employees. During the six months ended 30 September 2014, the staff costs, including Directors' remuneration, totalled approximately HK\$34.281 million (six months ended 30 September 2013: approximately HK\$29.385 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.

Legal Proceedings

On 12 April 2014, Fuzhou Huihao as plaintiff initiated legal proceedings against a customer ("case") at the People's Court of Minhou County for a sale and purchase agreement. The case was closed on 16 September 2014 and judgement was awarded in favour of the Company.

Significant Events after the Reporting Period

There was no 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 2014, the Company was indirectly wholly owned by Hua Xia Healthcare Holdings Limited (“**Hua Xia**”).

As at 30 September 2014, 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	8,106,250	Long	0.70%
Mr. Chen Yong	Hua Xia (Note 1)	Beneficial interest	400,000	Long	0.03%

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 2014, 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 <i>(Note 1)</i>	Interested in controlled corporation	Long	411,917,648	63.53%
Greatly Wealth <i>(Note 1)</i>	Beneficial owner	Long	411,917,648	63.53%
Mr. Yung Kwok Leong <i>(Note 2)</i>	Interested in controlled corporation	Long	24,192,100	3.73%
	Beneficial owner	Long	47,009,375	7.25%
Marshal International Investments Limited <i>(Note 2)</i>	Interested in controlled corporation	Long	24,192,100	3.73%
Easeglory Holdings Limited <i>(Note 2)</i>	Beneficial owner	Long	24,192,100	3.73%
Mrs. Yung Muk Ying <i>(Note 3)</i>	Interest of spouse	Long	71,201,475	10.98%

Notes:

- 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.
- 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.
- 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

During the six-month ended 30 September 2014, 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.

Code Provision E.1.2

Under the code provision E.1.2 the chairman of the board should attend the annual general meeting. The Chairman of the Board, Mr. Weng Jiaying was unable to attend the annual general meeting of the Company held on 29 September 2014 due to personal reasons. However, an Executive Director, present at the annual general meeting who then took the chair of that meeting in accordance with the Bye-Laws of the Company.

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. Yung Ka Chun, an executive director of the Company and two independent non-executive directors, namely Mr. Wong Hon Kit, Mr. Liu Yongping. 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 Jiaxing, an executive director of the Company and three independent non-executive directors, namely Mr. Liang Yichi, Mr. Wong Hon Kit and Mr. Liu Yongping. Mr. Weng Jiaxing 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. Liu Yongping. 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 2014 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 2014