

# 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



### Third Quarterly Report 2014/2015



**WANJIA GROUP**  
萬嘉集團



## HIGHLIGHTS

- The Group has recorded total turnover of approximately HK\$1,249.240 million for the nine months ended 31 December 2014 as compared to a total turnover of approximately HK\$1,567.179 million recorded in the corresponding period in year 2013, representing a decrease of approximately 20.29%.
- Loss attributable to owners of the Company was approximately HK\$775.020 million. However, it was a profit of approximately HK\$10.463 million after excluding the effect on the impairment loss on goodwill of HK\$785.483 million (2013: profit attributable to owners of the Company of approximately HK\$31.368 million).
- The basic and diluted loss per share for the nine months ended 31 December 2014 was approximately HK120 cents (2013: Basic and diluted earnings per share of approximately HK4.838 cents).
- The directors do not recommend the payment of a dividend (2013: Nil).



## THIRD QUARTERLY RESULTS

The board of directors (the “**Board**”) of Wanjia Group Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months and nine months ended 31 December 2014, together with the unaudited comparative figures for the corresponding periods in 2013 as follows:

### Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2014

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Turnover</b>	3	407,486	497,809	1,249,240	1,567,179
Cost of sales		(371,547)	(449,427)	(1,132,188)	(1,428,497)
Gross profit		35,939	48,382	117,052	138,682
Other revenue		4,742	1,763	11,017	6,654
Selling and distribution expenses		(24,048)	(18,512)	(68,025)	(52,154)
Administrative expenses		(9,758)	(12,758)	(36,422)	(38,568)
Impairment loss on goodwill		–	–	(785,483)	–
<b>Profit/(loss) from operations</b>		6,875	18,875	(761,861)	54,614
Finance costs		(2,403)	(1,454)	(6,430)	(3,855)
<b>Profit/(loss) before taxation</b>		4,472	17,421	(768,291)	50,759
Taxation	4	(1,534)	(6,396)	(7,175)	(19,278)
<b>Profit/(loss) for the period</b>		2,938	11,025	(775,466)	31,481
<b>Other comprehensive income/(loss), net of tax:</b>					
Exchange differences arising on translating foreign operations		(666)	1,485	(339)	5,904
<b>Total comprehensive income/(loss) for the period</b>		2,272	12,510	(775,805)	37,385

## Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2014

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2013 HK\$'000 (Unaudited)
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the Company		3,164	10,985	(775,020)	31,368
Non-controlling interests		(226)	40	(446)	113
		<u>2,938</u>	<u>11,025</u>	<u>(775,466)</u>	<u>31,481</u>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		2,686	12,467	(775,202)	37,261
Non-controlling interests		(414)	43	(603)	124
		<u>2,272</u>	<u>12,510</u>	<u>(775,805)</u>	<u>37,385</u>
<b>Dividends</b>	5	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Earnings/(loss) per share attributable to the owners of the Company</b>					
- Basic and diluted (HK cents per share)	6	<u>0.488</u>	<u>1.694</u>	<u>(120)</u>	<u>4.838</u>

## Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2014

	Attributable to the owners of the Company								Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000 (Note (a))	Share premium HK\$'000 (Note (b))	Other reserve HK\$'000 (Note (c))	Contribution reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Retained earnings HK\$'000	Sub-total HK\$'000		
At 1 April 2013	1	-	-	-	11,471	18,810	102,480	132,762	439	133,201
Profit for the period	-	-	-	-	-	-	31,368	31,368	113	31,481
Other comprehensive income for the period	-	-	-	-	5,893	-	-	5,893	11	5,904
Total comprehensive income for the period	-	-	-	-	5,893	-	31,368	37,261	124	37,385
Issue of shares pursuant to capitalisation issue	6,483	-	-	866,811	-	-	-	873,294	-	873,294
Recognise upon reorganisation	-	-	(6,483)	-	-	-	-	(6,483)	-	(6,483)
Capitalisation of listing expenses	-	(7,653)	-	-	-	-	-	(7,653)	-	(7,653)
Dividend to non-controlling shareholders	-	-	-	-	-	-	-	-	(179)	(179)
At 31 December 2013	6,484	(7,653)	(6,483)	866,811	17,364	18,810	133,848	1,029,181	384	1,029,565
	Attributable to the owners of the Company									
	Share capital HK\$'000 (Note (a))	Share premium HK\$'000 (Note (b))	Other reserve HK\$'000 (Note (c))	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
At 1 April 2014	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	-	-	-	-	-	-	(775,020)	(775,020)	(446)	(775,466)
Other comprehensive loss for the period	-	-	-	-	(182)	-	-	(182)	(157)	(339)
Total comprehensive loss for the period	-	-	-	-	(182)	-	(775,020)	(775,202)	(603)	(775,805)
Interest in non-controlling interest resulting from acquisition of subsidiaries	-	-	-	-	-	-	-	-	9,944	9,944
Transfer to statutory reserve	-	-	-	-	-	3,542	(3,542)	-	-	-
At 31 December 2014	6,484	(7,653)	(6,483)	866,811	15,756	32,670	(637,480)	270,105	9,757	279,862

### Notes:

- 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 (the "Listing Document"). As at 31 December 2014, the share capital of the Group represents the issued share capital of the Company after the completion of Reorganisation.
- 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.
- The increase in other reserve amounting to approximately HK\$6,483,000 of the Group as the results of reorganisation taken by the Group during the period.



# NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

*For the three months and nine months ended 31 December 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, P.O. 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 unaudited condensed consolidated financial results for the nine months ended 31 December 2014 have been prepared as if the Company has been the holding company of the companies now comprising the Group during the period.

The unaudited condensed consolidated financial results 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 unaudited condensed consolidated financial results in HK\$ as the shares of the Company are listed on the Main Board of the Stock Exchange. The unaudited condensed consolidated financial results 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 results for the nine months ended 31 December 2014 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 unaudited condensed consolidated financial results 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 unaudited condensed consolidated financial results for the nine months ended 31 December 2014 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 2013/14 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 unaudited condensed consolidated financial results.

## 3. Turnover

The principal activities of the Group are the 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. The turnover for the period is as follows:

	Three months ended 31 December		Nine months ended 31 December	
	2014	2013	2014	2013
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Pharmaceutical wholesale and distribution business	349,612	436,669	1,087,919	1,392,511
Pharmaceutical retail chain business	57,874	61,140	161,321	174,668
	<u>407,486</u>	<u>497,809</u>	<u>1,249,240</u>	<u>1,567,179</u>



#### **4. Taxation**

No provision for Hong Kong profits tax has been made in the unaudited condensed consolidated financial results 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, distribution and pharmaceutical retail chain businesses in the PRC (2013: approximately 25%).

#### **5. Dividends**

The directors do not recommend the payment of a dividend for the nine months ended 31 December 2014 (2013: Nil).

#### **6. Earnings per share**

The calculation of basic earnings/(loss) per share for the three months ended and nine months ended 31 December 2014 is based on the profit/(loss) attributable to owners of the Company of approximately HK\$3.164 million (three months ended 31 December 2013: approximately HK\$10.985 million) and approximately HK\$(775.020) million (nine months ended 31 December 2013: approximately HK\$31.368 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 nine months ended 31 December 2014 and 2013.

Diluted earnings/(loss) per share were same as the basic earnings/(loss) per share as there were no potential dilutive ordinary shares in existence during the three months and nine months ended 31 December 2014 and 2013.





## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the nine months ended 31 December 2014 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$1,249.240 million (2013: approximately HK\$1,567.179 million), representing a decrease of approximately 20.29% 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 nine months period ended 31 December 2014. As such, the sale to our distributor customer have been decreased by approximately 21.87% compared to the corresponding period in year 2013.

Selling and distribution expenses for the period under review amounted to approximately HK\$68.025 million (2013: approximately HK\$52.154 million), increasing by approximately 30.43% 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 nine months ended 31 December 2014 compared to the corresponding period in year 2013.

Administrative expenses for the period under review amounted to approximately HK\$36.422 million (2013: approximately HK\$38.568 million), slightly decreasing by approximately 5.56% as compared to the same period last year.

During the period under review, there was an impairment loss on goodwill of approximately HK\$785.483 million incurred in the 1st Quarter after assessment of the effect arising from the New GSP.

Due to the combined factors as stated above, the Group recorded a loss attributable to owners of the Company of approximately HK\$775.020 million for the period under review (2013: profit attributable to owners of the Company of approximately HK\$31.368 million). By excluding the effect on the impairment loss on goodwill of HK\$785.483 million, the operating result for the period under review was a profit of HK\$10.463 million despite the fact that it represented a decrease of approximately 66.64% 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 sells pharmaceutical products in neighbouring 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, outpatient departments of community hospitals, healthcare service stations and clinics. The turnover contributed by the pharmaceutical wholesale and distribution for the nine months ended 31 December 2014 was approximately HK\$1,087.919 million (2013: approximately HK\$1,392.511 million), decreasing by approximately 21.87% 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 contributed by the pharmaceutical retail business for the nine months ended 31 December 2014 was approximately HK\$161.321 million (2013: approximately HK\$174.668 million), representing a slightly decrease of approximately 7.64% as compared to the same period last year.

### *Future Prospects*

The management of the Group expects that the pharmaceutical market will remain challenging for the rest of 2015. The management has noticed the results of the Group for the nine months ended 31 December 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 2015. 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.



## 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 31 December 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 Securities and Futures Ordinance (“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 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. Chen Jinshan	Hua Xia (Note 1)	Beneficial interest	2,528,507	Long	0.22%

*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 31 December 2014, other than the interests of a director or chief executive of the Company as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, the interests and short positions of persons in the shares and 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%

Save as disclosed above, as at 31 December 2014, the directors of the Company were not aware of any other person (other than the directors and chief executive of the Company) who had interests or short positions 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.

## 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 quarterly report.





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

During the nine months ended 31 December 2014, there were 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 the 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 had adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry of all Directors and all 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 quarterly report.

## CORPORATE GOVERNANCE

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code (the "CG 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 CG 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:

### Code Provision E.1.2

Under the code provision E.1.2 the chairman of the board should attend the annual general meeting. The then 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.



## 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 and 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 three independent non-executive directors, namely Mr. Liang Yichi, Mr. Wong Hon Kit and Mr. Liu Yongping.

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 nine months ended 31 December 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.

By order of the Board  
**Wanjia Group Holdings Limited**  
**Yung Ka Chun**  
*Executive Director*

Hong Kong, 11 February 2015