

**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**



**WANJIA GROUP**  
萬嘉集團

Third Quarterly Report 2015/2016

## HIGHLIGHTS

- The Group has recorded total turnover of approximately HK\$976.758 million for the nine months ended 31 December 2015 as compared to a total turnover of approximately HK\$1,249.240 million recorded in the corresponding period in year 2014, representing a decrease of approximately 21.81%.
- Loss attributable to owners of the Company was approximately HK\$11.193 million. (2014: approximately HK\$775.020 million).
- The basic and diluted loss per share for the nine months ended 31 December 2015 was approximately HK1.726 cents (2014: approximately HK120 cents).
- The directors do not recommend the payment of a dividend (2014: 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 2015, together with the unaudited comparative figures for the corresponding periods in 2014 as follows:

### Condensed Consolidated Statement of Comprehensive Income

*For the three months and nine months ended 31 December 2015*

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2014 HK\$'000 (Unaudited)
<b>Turnover</b>	3	<b>309,556</b>	407,486	<b>976,758</b>	1,249,240
Cost of sales		<u>(274,195)</u>	<u>(371,547)</u>	<u>(869,101)</u>	<u>(1,132,188)</u>
Gross profit		<b>35,361</b>	35,939	<b>107,657</b>	117,052
Other revenue		(921)	4,742	<b>1,989</b>	11,017
Selling and distribution expenses		<u>(27,022)</u>	<u>(24,048)</u>	<u>(74,140)</u>	<u>(68,025)</u>
Administrative expenses		<u>(10,543)</u>	<u>(9,758)</u>	<u>(32,637)</u>	<u>(36,422)</u>
Impairment loss on goodwill		–	–	–	(785,483)
Gain on disposal of a subsidiary		<u>221</u>	–	<u>221</u>	–
<b>Profit/(loss) from operations</b>		<b>(2,904)</b>	6,875	<b>3,090</b>	(761,861)
Finance costs		<u>(4,069)</u>	<u>(2,403)</u>	<u>(11,641)</u>	<u>(6,430)</u>
<b>Profit/(loss) before taxation</b>		<b>(6,973)</b>	4,472	<b>(8,551)</b>	(768,291)
Taxation	4	<u>(609)</u>	<u>(1,534)</u>	<u>(1,927)</u>	<u>(7,175)</u>
<b>Profit/(loss) for the period</b>		<b>(7,582)</b>	2,938	<b>(10,478)</b>	(775,466)
<b>Other comprehensive income/(loss), net of tax:</b>					
Exchange differences arising on translating foreign operations		<u>(3,324)</u>	<u>(666)</u>	<u>(19,825)</u>	<u>(339)</u>
<b>Total comprehensive income/(loss) for the period</b>		<u><b>(10,906)</b></u>	<u>2,272</u>	<u><b>(30,303)</b></u>	<u>(775,805)</u>

## Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 31 December 2015

	Notes	Three months ended		Nine months ended	
		31 December		31 December	
		2015	2014	2015	2014
		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Profit/(loss) for the period attributable to:</b>					
Owners of the Company		(6,239)	3,164	(11,193)	(775,020)
Non-controlling interests		(1,343)	(226)	715	(446)
		<u>(7,582)</u>	<u>2,938</u>	<u>(10,478)</u>	<u>(775,466)</u>
<b>Total comprehensive income/(loss) attributable to:</b>					
Owners of the Company		(12,567)	2,686	(31,880)	(775,202)
Non-controlling interests		1,661	(414)	1,577	(603)
		<u>(10,906)</u>	<u>2,272</u>	<u>(30,303)</u>	<u>(775,805)</u>
<b>Dividends</b>	5	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>
<b>Earnings/(loss) per share attributable to owners of the Company</b>					
– Basic and diluted (HK cents per share)	6	<u>(0.962)</u>	<u>0.488</u>	<u>(1.726)</u>	<u>(120)</u>

## Unaudited Consolidated Statement of Changes in Equity

For the nine months ended 31 December 2015

	Attributable to 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/ (Accumulated losses) HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total 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	-	-	-	-	-	-	(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 (unaudited)	6,484	(7,653)	(6,483)	866,811	15,756	32,670	(637,480)	270,105	9,757	279,862

	Attributable to owners of the Company										
	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Contribution reserve HK\$'000	Translation reserve HK\$'000	Statutory reserve HK\$'000	Convertible notes reserves HK\$'000	Accumulated losses HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2015 (audited)	6,484	(7,653)	(6,483)	866,811	17,361	31,189	-	(633,928)	273,781	9,263	283,044
(Loss) or profit for the period	-	-	-	-	-	-	-	(11,193)	(11,193)	715	(10,478)
Other comprehensive (loss) or profit for the period	-	-	-	-	(20,687)	-	-	-	(20,687)	862	(19,825)
Total comprehensive (loss) or profit for the period	-	-	-	-	(20,687)	-	-	(11,193)	(31,880)	1,577	(30,303)
Disposal of a subsidiary	-	-	-	-	(4)	-	-	-	(4)	(2,577)	(2,581)
Capital contributed by non-controlling interests (Note 1)	-	-	(1,882)	-	-	-	-	-	(1,882)	16,135	14,253
Equity component of convertible notes (Note 2)	-	-	-	-	-	-	9,866	-	9,866	-	9,866
At 31 December 2015 (unaudited)	6,484	(7,653)	(8,365)	866,811	(3,330)	31,189	9,866	(645,121)	249,881	24,398	274,279

### Notes:

- On 12 May 2015, one of the indirect-wholly owned subsidiaries (“**Subsidiary**”) has entered into a joint venture agreement (“**Agreement**”) with an independent third party. The Agreement constituted a deemed disposal of Wanjia’s interest in that Subsidiary, as a result, other reserve was arisen.
- On 1 June 2015, the company has issued convertible notes amounting to HK\$84,292,000.

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

*For the three months and nine months ended 31 December 2015*

## 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 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 2015 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 given in exchange of assets.

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the nine months ended 31 December 2015 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2015 (the “2014/15 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 2014/15 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		Nine months ended	
	31 December 2015	2014	31 December 2015	2014
	HK\$’000	HK\$’000	HK\$’000	HK\$’000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Turnover				
Pharmaceutical wholesale and distribution business	243,054	349,612	785,808	1,087,919
Pharmaceutical retail chain business	66,502	57,874	190,950	161,321
	<u>309,556</u>	<u>407,486</u>	<u>976,758</u>	<u>1,249,240</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 (2014: 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 (2014: approximately 25%).

#### **5. Dividends**

The directors do not recommend the payment of a dividend for the nine months ended 31 December 2015 (2014: Nil).

#### **6. Loss per share**

The calculation of basic earnings/(loss) per share for the three months ended and nine months ended 31 December 2015 is based on the profit/(loss) attributable to owners of the Company of approximately HK\$(6.239) million (three months ended 31 December 2014: approximately HK\$3.164 million) and approximately HK\$(11.193) million (nine months ended 31 December 2014: approximately HK\$(775.020) million) respectively and on the weighted average number of ordinary shares of 648,405,300 shares (2014: 648,405,300 shares).

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 2015 and 2014.



## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the nine months ended 31 December 2015 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$976.758 million (2014: approximately HK\$1,249.240 million), representing a decrease of approximately 21.81% 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. The sale to our distributor customer have been decreased by approximately 27.77% compared to the corresponding period in year 2014.

Selling and distribution expenses for the period under review amounted to approximately HK\$74.140 million (2014: approximately HK\$68.025 million), increasing by approximately 8.99% as compared to the same period last year. More selling and distribution expenses incurred mainly because of the increase in both salaries and rental expense during the nine months ended 31 December 2015 compared to the corresponding period in year 2014.

Administrative expenses for the period under review amounted to approximately HK\$32.637 million (2014: approximately HK\$36.422 million), decreasing by approximately 10.39% 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 generated from the pharmaceutical wholesale and distribution for the nine months ended 31 December 2015 was approximately HK\$785.808 million (2014: approximately HK\$1,087.919 million), decreasing by approximately 27.77% 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 the pharmaceutical retail business for the nine months ended 31 December 2015 was approximately HK\$190.950 million (2014: approximately HK\$161.321 million), representing a slightly increase of approximately 18.37% as compared to the same period last year.

## *Future Prospects*

The management of the Group expects that the pharmaceutical market will remain challenging in future. The management has noticed the results of the Group for the nine months ended 31 December 2015 was less favorable than the result before impairment loss on goodwill of HK\$785.483 million for the corresponding period in year 2014. 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 of 2015/16. 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.

## **Material Acquisitions and Disposals**

On 12 May 2015, Hui Hao (HK) Group Limited (“**Hui Hao (HK)**”), a wholly-owned subsidiary of the Company, Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd.\* (福建省福州市惠好藥業有限公司) (“**Fuzhou Huihao**”), a wholly owned subsidiary of Hui Hao (HK) and Fuzhou Ren An Medical Technology Limited\* (福州仁安醫藥科技有限公司) (“**Ren An**”) entered into the Joint Venture Agreement, pursuant to which Ren An agreed to make a capital contribution of approximately RMB26 million to the registered capital and the capital reserve of Fuzhou Huihao. As a result, the equity interest of Hui Hao (HK) in Fuzhou Huihao was diluted from 100% to 75% and Fuzhou Huihao held as to 75% by Hui Hao (HK) and as to 25% by Ren An. Other than this, for the nine months ended 31 December 2015, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

## **Share Capital**

On 14 May 2015, The Company entered into the Placing Agreement with the Placing Agent pursuant to which The Company has conditionally agreed to place, through the Placing Agent, on a best efforts basis, the Convertible Notes (“CNs”) with principal amounts aggregating up to HK\$84,292,000 to the Placees at the initial Conversion Price of HK\$0.65 per Conversion Share which entitled the CNs holders to convert 129,680,000 Shares of the Company if the CNs are fully converted. The placement of the CNs was completed on 1 June 2015. Up to the date of this report, there was no CNs holders who converted the CNs into the Company’s Shares.

## **Capital Commitments**

As at 31 December 2015, the Group had no material capital commitment.

## **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 OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

## Disclosure of Interests

### (a) *Directors' interest and short position in the securities of the Company and its associated corporations*

As at 31 December 2015, the interests and short positions of the directors and chief executive of the Company in the shares of the Company (“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 will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which are taken or deemed to have under such provisions of the SFO) or which will be required, pursuant to Section 352 of the SFO, to be recorded in the register referred to therein or which will be required to be 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 the Appendix 10 to the Rules Governing the Listing Rules, were as follows:

#### (i) *Director's interests in shares of the Company*

Name of director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued shares
Md. Yung Ka Lai	Corporate interest (Note)	47,009,375	Long	7.25%

Note: Md. Yung Ka Lai holds the Company's shares through Power King Investment Development Limited.

*(ii) Interest in 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	5,150,000 (Note 2)	Long	0.32%
Ms. Shum Ngai Pan	Hua Xia (Note 1)	Beneficial interest	6,450,000 (Note 3)	Long	0.38%

Note 1: Hua Xia Healthcare Holdings Limited (“**Hua Xia**”).

Note 2: represented 740,000 shares in issued share capital of the Company's associated corporation and 4,410,000 share options of the Company's associated corporation.

Note 3: represented 2,400,000 shares in the issued share capital of the Company's associated corporation and 4,050,000 share option of the Company's associated corporation.

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

As at 31 December 2015, other than the interests of a director or chief executive of the Company as disclosed under the heading “Directors’ and chief executive’s interest in shares, underlying shares and debentures of the company and its associated corporations” above, the following persons (not being a Director or the chief executive officer of the Company) have an interest or a short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register to be kept by the Company under Section 336 of the SFO:



(i) *Long position in shares of the Company*

<b>Name of shareholder</b>	<b>Capacity</b>	<b>Position</b>	<b>Number of shares</b>	<b>Approximate percentage of the total issued shares</b>
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%
Power King (Note 2)	Beneficial owner	Long	47,009,375	7.25%
Md. Yung Ka Lai (Note 2)	Interested in controlled corporation	Long	47,009,375	7.25%
Mr. Lo Kai Bong (Note 3)	Interested in controlled corporation	Long	90,000,000 (Note 5)	13.88%
Better Linkage Limited (Note 3)	Interested in controlled corporation	Long	90,000,000 (Note 5)	13.88%
Ever Smart Capital Limited (Note 3)	Beneficial owner	Long	90,000,000 (Note 5)	13.88%
Mr. Choi Chiu Fai, Stanley (Note 4)	Interested in controlled corporation	Long	122,000,000	18.82%
Ms. Cheung Fung Kuen, Maggie (Note 4)	Interested in controlled corporation	Long	122,000,000	18.82%
Grand Rich Limited (Note 4)	Interested in controlled corporation	Long	122,000,000	18.82%
Head & Shoulders Credit Limited (Note 4)	Beneficial owner	Long	122,000,000	18.82%

Notes:

1. Greatly Wealth Global Group Limited (“**Greatly Wealth**”) is a company incorporated in the BVI with limited liability which is wholly and beneficially owned by Hua Xia Healthcare Holdings Limited (“**Hua Xia**”). By virtue of the SFO, Hua Xia is deemed to be interested in the entire 411,917,648 shares held by the Greatly Wealth.
2. Power King Investment Development Limited (“**Power King**”) is a company incorporated in the BVI with limited liabilities which is wholly and beneficially owned by Md. Yung Ka Lai.
3. Ever Smart Capital Limited (“**Ever Smart**”) is a company incorporated in the BVI with limited liabilities which is wholly and beneficially owned by Better Linkage Limited (“**Better Linkage**”), a company incorporated in the BVI with limited liability and is wholly and beneficially owned by Mr. Lo Kai Bong (“**Mr. Lo**”). By virtue of the SFO, both Better Linkage and Mr. Lo are deemed to be interested in the entire 90,000,000 shares held by Ever Smart.
4. Head & Shoulders Credit Limited (“**Head & Shoulders**”) is a company incorporated in the BVI with limited liabilities which is wholly and beneficially owned by Grand Rich Limited (“**Grand Rich**”), a company incorporated in the BVI with limited liability and is wholly and beneficially owned by Mr. Choi Chiu Fai, Stanley (“**Mr. Choi**”) and Ms. Cheung Fung Kuen, Maggie (“**Ms. Cheung**”). By virtue of the SFO, Grand Rich, Mr. Choi and Ms. Cheung are all deemed to be interested in the entire 122,000,000 shares held by Head & Shoulders.
5. On 1 June 2015, convertible notes amounting to HK\$58,500,000 were issued to Ever Smart, entitling the holder of the convertible notes to convert 90,000,000 Shares of the Company.

*(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 2015, 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 2015, 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.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

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 throughout the period ended 31 December 2015.

## **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 for the nine months ended 31 December 2015.

## 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 Ms. Shum Ngai Pan, 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 2015 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**  
**Chen Jinshan**  
*Executive Director*

Hong Kong, 3 February 2016