



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



First
Quarterly
Report

2016/2017

HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$290.033 million for the three months ended 30 June 2016 as compared to a total turnover of approximately HK\$312.167 million recorded in the corresponding period in year 2015, representing a decrease of approximately 7.09%.
- Gross profit margin of the Group was approximately 12.43% for the three months ended 30 June 2016, compared to the gross profit margin of approximately 12.00% in the corresponding period in year 2015, representing slightly increase of approximately 0.43%.
- The Group has recorded a profit from operations for the three months ended 30 June 2016 of approximately HK\$1.508 million as compared to approximately HK\$0.653 million recorded in the corresponding period in year 2015.
- The Group has recorded loss attributable to owners of the Company for the three months ended 30 June 2016 of approximately HK\$2.953 million as compared to approximately HK\$3.671 million recorded in the corresponding period in 2015.
- The basic and diluted loss per share for the three months ended 30 June 2016 was approximately HK0.46 cents (2015: HK0.57 cents).
- The directors do not recommend the payment of a dividend for the three months ended 30 June 2016 (2015: Nil).

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of directors (the “**Board**”) of Wanjia Group Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the three months ended 30 June 2016, together with the unaudited comparative figures for the corresponding period in year 2015 as follows:

Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 30 June 2016

	Note	Three months ended 30 June	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Turnover	3	290,033	312,167
Cost of sales		(253,969)	(274,691)
Gross profit		36,064	37,476
Other income		721	811
Selling and distribution expenses		(22,857)	(24,335)
Administrative expenses		(12,420)	(13,299)
Profit from operations		1,508	653
Finance costs		(3,071)	(3,140)
Loss before taxation		(1,563)	(2,487)
Taxation	4	(770)	(689)
Loss for the period		(2,333)	(3,176)
Other comprehensive loss for the period, net of tax:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(9,055)	(538)
Total comprehensive loss for the period		(11,388)	(3,714)

		Three months ended	
		30 June	
		2016	2015
		HK\$'000	HK\$'000
	Note	(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(2,953)	(3,671)
Non-controlling interests		620	495
		<u>(2,333)</u>	<u>(3,176)</u>
Total comprehensive loss for the period attributable to:			
Owners of the Company		(10,510)	(4,002)
Non-controlling interests		(878)	288
		<u>(11,388)</u>	<u>(3,714)</u>
Dividends	5	<u>–</u>	<u>–</u>
Loss per share attributable to owners of the Company			
– Basic	6	<u>HK(0.46) cents</u>	<u>HK(0.57) cents</u>
– Diluted	6	<u>HK(0.46) cents</u>	<u>HK(0.57) cents</u>

Unaudited Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2016

	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 reserve HK\$'000	(Accumulated losses)/ retained earnings HK\$'000	Sub-total HK\$'000	Non-controlling interests HK\$'000	Total HK\$'000
At 1 April 2015	6,484	(7,653)	(6,483)	866,811	17,361	31,189	-	(633,928)	273,781	9,263	283,044
Loss for the period	-	-	-	-	-	-	-	(3,671)	(3,671)	495	(3,176)
Other comprehensive loss for the period	-	-	-	-	(331)	-	-	-	(331)	(207)	(538)
Total comprehensive loss for the period	-	-	-	-	(331)	-	-	(3,671)	(4,002)	288	(3,714)
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 30 June 2015	<u>6,484</u>	<u>(7,653)</u>	<u>(8,365)</u>	<u>866,811</u>	<u>17,030</u>	<u>31,189</u>	<u>9,866</u>	<u>(637,599)</u>	<u>277,763</u>	<u>25,686</u>	<u>303,449</u>
At 1 April 2016	6,484	(7,653)	(35,141)	866,811	1,089	31,913	7,695	(648,454)	222,744	67,780	290,524
Loss for the period	-	-	-	-	-	-	-	(2,953)	(2,953)	620	(2,333)
Other comprehensive loss for the period	-	-	-	-	(7,557)	-	-	-	(7,557)	(1,498)	(9,055)
Total comprehensive loss for the period	-	-	-	-	(7,557)	-	-	(2,953)	(10,510)	(878)	(11,388)
At 30 June 2016	<u>6,484</u>	<u>(7,653)</u>	<u>(35,141)</u>	<u>866,811</u>	<u>(6,468)</u>	<u>31,913</u>	<u>7,695</u>	<u>(651,407)</u>	<u>212,234</u>	<u>66,902</u>	<u>279,136</u>

Notes:

- On 12 May 2015, one of the non-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 PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (UNAUDITED)

For the three months ended 30 June 2016

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, of which are listed on the Growth Enterprise Market ("GEM") of the Stock Exchange and it is the ultimate holding company of the Company.

The unaudited 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 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 consolidation financial results for the three months ended 30 June 2016 have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”), which is a collective term includes all applicable 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 except for certain financial assets (including derivative financial instruments) 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 Group has consistently applied its accounting policies to all the periods presented, unless otherwise stated, in the preparation of the condensed consolidated financial statement.

The accounting policies adopted in preparing the unaudited condensed consolidated financial results for the three months ended 30 June 2016 are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2016 (the “2015/2016 Financial Statements”), except for the new and revised standards, amendments and interpretations of HKFRSs (“New HKFRSs”) issued by HKICPA which have become effective in this period as detailed in notes to the 2015/2016 Financial Statements. The directors of the Company believe that the application of these new and revised HKFRSs has no material impact on the amount reported and disclosures set out in these unaudited condensed consolidated financial results.

3. Turnover

The principal activities of the Group are pharmaceutical wholesales 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 30 June	
	2016 HK\$’000 (Unaudited)	2015 HK\$’000 (Unaudited)
Turnover		
Wholesale and distribution of pharmaceutical and related products	223,958	247,222
Retail of pharmaceutical and related products	66,075	64,945
	<u>290,033</u>	<u>312,167</u>

4. Taxation

No provision for Hong Kong profits tax has been made in the financial statements as the Group had no assessable profits derived from Hong Kong's operation during the period (2015: 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 (2015: approximately 25%).

5. Dividends

The directors of the Company do not recommend the payment of a dividend for the three months ended 30 June 2016 (2015: Nil).

6. Loss per share

The calculation of basic loss per share for the three months ended 30 June 2016 and 2015 was based on the loss for the period attributable to owners of the Company of approximately HK\$2.953 million (2015: HK\$3.671 million) and on the weighted average number of 648,405,300 shares (2015: 648,405,300 shares).

Diluted loss per share were same as the basic loss per share as there were no potential diluted ordinary shares in existence during the three months ended 30 June 2016 and 2015.

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the three months ended 30 June 2016 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$290.033 million (2015: approximately HK\$312.167 million), representing decrease of approximately 7.09% 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. 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. As a result of the New GSP, our existing distributor customers became very prudent in placing the purchase order to our Group. As such, the sale to our distributor customer have been decreased by approximately 9.41% compared to the corresponding period in year 2015.

Gross profit margin of the Group was approximately 12.43% for the three months ended 30 June 2016, compared to the gross profit margin of approximately 12.00% in the corresponding period in year 2015, representing slightly increase of approximately 0.43%.

The Group has recorded a profit from operations for the three months ended 30 June 2016 of approximately HK\$1.508 million as compared to approximately HK\$0.653 million recorded in the corresponding period in year 2015.

Selling and distribution expenses for the period under review amounting to approximately HK\$22.857 million (2015: approximately HK\$24.335 million), decreased by approximately 6.07% as compared to the same period last year.

Administrative expenses for the period under review amounted to approximately HK\$12.420 million (2015: approximately HK\$13.299 million), decreasing by about 6.61%.

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.

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 three months ended 30 June 2016 was approximately HK\$223.958 million (2015: approximately HK\$247.222 million), decreasing by approximately 9.41% 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 three months ended 30 June 2016 amounted to approximately HK\$66.075 million (2015: approximately HK\$64.945 million), representing an increase of approximately 1.74% compared to the same period last year.

As at 30 June 2016, we directly operated 113 (2015: 121) 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 2016. Although the management has noticed the results of the Group for the three months ended 30 June 2016 was slightly favorable than the corresponding period in year 2015, the challenges remain. The management of the Group will adapt the changing business environment with effective and efficient measures. The management will continue to keep focus on further strengthen the drug delivery to hospitals and expansion the retail pharmacies in the rest of year 2016/17. 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 OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

Disclosure of Interests

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

As at 30 June 2016, 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 interests	Number of shares	Position	Approximate percentage of the total issued shares
Ms. Yung Ka Lai	Corporate interests (Note)	47,009,375	Long	7.25%

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

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

Name of director	Name of associated corporation	Nature of interests	Number of shares	Position	Approximate percentage of shareholding in the associated corporation's issued share capital
Mr. Chen Jinshan	Hua Xia (Note 1)	Beneficial interests	4,410,000 (Note 2)	Long	0.26%
Ms. Shum Ngai Pan	Hua Xia (Note 1)	Beneficial interests	6,450,000 (Note 3)	Long	0.38%

Note 1: Hua Xia Healthcare Holdings Limited ("Hua Xia").

Note 2: represented 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' interests and short positions in shares and underlying shares

As at 30 June 2016, 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 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 interests 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

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%
Power King (Note 2)	Beneficial owner	Long	47,009,375	7.25%
Ms. Yung Ka Lai (Note 2)	Interested in controlled corporation	Long	47,009,375	7.25%

Name of shareholder	Capacity	Position	Number of shares	Approximate percentage of the total issued shares
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 Ms. 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 30 June 2016, 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.

DIRECTOR'S RIGHTS TO ACQUIRE SECURITIES

Apart from as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shared and debentures of the Company and its associated corporations" above, at no time since incorporation of the Company were right 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 spouses 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 SCHEME

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, SALES OR REDEMPTION OF THE COMPANY'S LISTED SHARES

During the three months ended 30 June 2016, there were no purchases, sales or redemptions of the Company's listed securities by the Company or any of its subsidiaries.

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.

COMPLIANCE WITH THE 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 with all Directors and all Directors have confirmed their compliance with the required standards set out in the Model Code throughout the period ended 30 June 2016.

CORPORATE GOVERNANCE PRACTICES

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 (the "CG Code") for the three months ended 30 June 2016.

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. Jiang Xiangfeng, an executive director of the Company and two independent non-executive directors, namely Mr. Wong Hon Kit and Dr. 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 as at 30 June 2016 consists of three independent non-executive directors, namely Mr. Liang Yichi, Mr. Wong Hon Kit and Dr. Lui 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 our Board on a regular basis and making recommendations to our Board regarding any proposed changes; (ii) identifying individuals suitably qualified to become members of the Board and selecting or making recommendations to our Board on the selection of, individuals nominated for directorships; (iii) making recommendations to our Board on relevant matters relating to the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of our Board and the chief executive officer of our Company; and (iv) keeping the effectiveness of the corporate governance and system of internal controls of our 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 Dr. 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 our Company and our Company's annual report and accounts, half-year report and quarterly reports; (iii) reviewing our Company's financial controls, internal control and risk management systems; and (iv) reporting to our 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 three months ended 30 June 2016 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, 12 August 2016