



**WANJIA GROUP**  
萬嘉集團

# **Wanjia Group Holdings Limited** 萬嘉集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE: 401



Interim Report  
**2016/2017**

## HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$528.349 million for the six months ended 30 September 2016 as compared to a total turnover of approximately HK\$667.202 million recorded in the corresponding period during the six months ended 30 September 2015, representing a decrease of approximately 20.81%.
- Loss attributable to owners of the Company was approximately HK\$12.145 million for the six months ended 30 September 2016 (2015: approximately HK\$4.954 million).
- The Group had total cash and cash equivalents of approximately HK\$82.760 million as at 30 September 2016 (31 March 2016: approximately HK\$203.500 million).
- The basic and diluted loss per share was approximately HK1.87 cents (2015: Basic and diluted loss per share of approximately HK0.76 cents).
- The directors do not recommend the payment of an interim dividend (2015: Nil).

## INTERIM RESULTS

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

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

For the three months and six months ended 30 September 2016

	Notes	Three months ended 30 September		Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Turnover</b>	3 & 4	<b>238,316</b>	355,035	<b>528,349</b>	667,202
Cost of sales		<b>(206,043)</b>	(320,215)	<b>(460,012)</b>	(594,906)
<b>Gross profit</b>		<b>32,273</b>	34,820	<b>68,337</b>	72,296
Other revenue and income		376	2,099	<b>1,097</b>	2,910
Selling and distribution expenses		<b>(24,536)</b>	(22,783)	<b>(47,393)</b>	(47,118)
Administrative expenses		<b>(12,589)</b>	(8,795)	<b>(25,009)</b>	(22,094)
<b>(Loss)/profit from operations</b>	5	<b>(4,476)</b>	5,341	<b>(2,968)</b>	5,994
Finance costs	6	<b>(4,431)</b>	(4,432)	<b>(7,502)</b>	(7,572)
<b>(Loss)/profit before taxation</b>		<b>(8,907)</b>	909	<b>(10,470)</b>	(1,578)
Taxation	7	<b>(381)</b>	(629)	<b>(1,151)</b>	(1,318)
<b>(Loss)/profit for the period</b>		<b>(9,288)</b>	280	<b>(11,621)</b>	(2,896)
<b>Other comprehensive loss for the period, net of tax</b>					
Items that may be reclassified subsequently to profit or loss					
Exchange differences arising on translating foreign operations		<b>(1,414)</b>	(15,963)	<b>(10,480)</b>	(16,501)
<b>Total comprehensive loss for the period</b>		<b>(10,702)</b>	(15,683)	<b>(22,101)</b>	(19,397)

	Notes	Three months ended 30 September		Six months ended 30 September	
		2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Loss for the period attributable to:</b>					
Owners of the Company		(9,192)	(1,283)	(12,145)	(4,954)
Non-controlling interests		(96)	1,563	524	2,058
		<u>(9,288)</u>	<u>280</u>	<u>(11,621)</u>	<u>(2,896)</u>
<b>Total comprehensive loss for the period attributable to:</b>					
Owners of the Company		(10,438)	(15,311)	(20,957)	(19,313)
Non-controlling interests		(264)	(372)	(1,144)	(84)
		<u>(10,702)</u>	<u>(15,683)</u>	<u>(22,101)</u>	<u>(19,397)</u>
<b>Dividends</b>	16	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Loss per share attributable to owners of the Company</b>					
- Basic and diluted (HK cents per share)	8	<u>(1.42)</u>	<u>(0.19)</u>	<u>(1.87)</u>	<u>(0.76)</u>

**Unaudited Condensed Consolidated Statement of Financial Position**  
*At 30 September 2016*

		<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		16,917	18,384
Prepaid lease payments		10,816	11,347
Investment properties		6,975	7,199
Goodwill	9	331	342
		<u>35,039</u>	<u>37,272</u>
<b>Current assets</b>			
Inventories		105,508	107,578
Trade and other receivables and deposits	10	431,425	284,171
Amounts due from fellow subsidiaries	11	7,925	8,181
Pledged bank deposits	12	7,968	6,096
Cash and cash equivalents		82,760	203,500
		<u>635,586</u>	<u>609,526</u>
<b>Total assets</b>		<u><u>670,625</u></u>	<u><u>646,798</u></u>
<b>Capital and reserves</b>			
Share capital	13	6,484	6,484
Reserves		195,303	216,260
<b>Equity attributable to owners of the Company</b>		<u>201,787</u>	222,744
<b>Non-controlling interests</b>		<u>66,636</u>	<u>67,780</u>
<b>Total equity</b>		<u><u>268,423</u></u>	<u><u>290,524</u></u>

		<b>30 September</b>	31 March
		<b>2016</b>	2016
		<b>HK\$'000</b>	HK\$'000
	Notes	<b>(Unaudited)</b>	(Audited)
<b>Current liabilities</b>			
Trade and other payables	14	243,949	233,078
Amount due to the ultimate holding company	15	725	485
Amount due to fellow subsidiaries	15	5	10,802
Bank borrowings		73,504	32,396
Tax payables		2,915	1,683
		<u>321,098</u>	<u>278,444</u>
<b>Non-current liabilities</b>			
Convertible notes		80,475	77,267
Deferred tax liabilities		629	563
		<u>81,104</u>	<u>77,830</u>
Total equity and liabilities		<u>670,625</u>	<u>646,798</u>
<b>Net current assets</b>		<u>314,488</u>	<u>331,082</u>
<b>Total assets less current liabilities</b>		<u>349,527</u>	<u>368,354</u>

## Unaudited Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 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 (audited)	6,484	(7,653)	(6,483)	866,811	17,361	31,189	-	(633,928)	273,781	9,263	283,044
Loss for the period	-	-	-	-	-	-	-	(4,954)	(4,954)	2,058	(2,896)
Other comprehensive loss for the period	-	-	-	-	(14,359)	-	-	-	(14,359)	(2,142)	(16,501)
Total comprehensive loss for the period	-	-	-	-	(14,359)	-	-	(4,954)	(19,313)	(84)	(19,397)
Capital contributed by non-controlling interests (Note 1)	-	-	(1,882)	-	-	-	-	-	(1,882)	18,508	16,626
Equity component of convertible notes (Note 2)	-	-	-	-	-	-	9,866	-	9,866	-	9,866
At 30 September 2015 (unaudited)	6,484	(7,653)	(8,365)	866,811	3,002	31,189	9,866	(638,882)	262,452	27,687	290,139

	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 2016 (audited)	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	-	-	-	-	-	-	-	(12,145)	(12,145)	524	(11,621)
Other comprehensive loss for the period	-	-	-	-	(8,812)	-	-	-	(8,812)	(1,668)	(10,480)
Total comprehensive loss for the period	-	-	-	-	(8,812)	-	-	(12,145)	(20,957)	(1,144)	(22,101)
At 30 September 2016 (unaudited)	6,484	(7,653)	(35,141)	866,811	(7,723)	31,913	7,695	(660,599)	201,787	66,636	268,423

### 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.

## Unaudited Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2016

	Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Net cash used in operating activities	(141,027)	(17,720)
Net cash generated from/(used in) investing activities	150	(3,503)
Net cash generated from financing activities	33,483	64,808
Net (decrease)/increase in cash and cash equivalents	(107,394)	43,585
Cash and cash equivalents at 1 April	203,500	43,029
Effect of foreign currency exchange rate changes	(13,346)	9,517
Cash and cash equivalents at 30 September	<u>82,760</u>	<u>96,131</u>



## NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

*For the six months ended 30 September 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, 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 statements are presented in Hong Kong dollars ("**HK\$**"), which is the functional currency of the Company, and the functional currency of most of its subsidiaries is Renminbi ("**RMB**"). The directors of the Company considered that it is more appropriate to present the condensed consolidated financial statements in HK\$ as the shares of the Company are listed on the Main Board of the Stock Exchange. The unaudited condensed consolidated financial statements are presented in thousands of units of HK\$ (HK\$'000), unless otherwise stated.

## 2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated financial statements for the six months ended 30 September 2016 (“**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (the “**Interpretations**”) issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure requirements of the Listing Rules of the Stock Exchange (the “**Listing Rules**”). The unaudited Interim Financial Statements have been prepared under the historical cost convention except for certain financial assets and investment properties that are measured at fair value. Historical cost is generally based on the fair value of the consideration of given in exchange of assets.

The accounting policies adopted in preparing the Interim Financial Statements are consistent with those used in the preparation of the annual financial statements for the year ended 31 March 2016 (the “**2015/16 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 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 amounts reported and disclosures set out in these unaudited Interim Financial Statements.

## 3. Turnover

The principal activities of the Group are pharmaceutical wholesale and distribution business and pharmaceutical retail chain business in the PRC. The Group’s turnover represents the net invoiced value of goods sold, after allowances for returns and trade discounts.

#### 4. Segment information

Information reported internally to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance focuses on types of goods delivered. The Group organised into two operating divisions: (a) pharmaceutical wholesale and distribution business and (b) pharmaceutical retail chain business in the PRC. These divisions are the basis on which the Group reports its segment information.

##### Segment revenue and results

	Three months ended 30 September		Six months ended 30 September	
	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
<b>Turnover</b>				
– Pharmaceutical wholesale and distribution business	177,007	295,532	400,965	542,754
– Pharmaceutical retail chain business	61,309	59,503	127,384	124,448
	<b>238,316</b>	<b>355,035</b>	<b>528,349</b>	<b>667,202</b>
<b>Results</b>				
– Pharmaceutical wholesale and distribution business	1,369	6,559	3,912	10,949
– Pharmaceutical retail chain business	(4,214)	260	(4,338)	(335)
Unallocated corporate expenses	(1,631)	(1,478)	(2,542)	(4,620)
(Loss)/profit from operations	(4,476)	5,341	(2,968)	5,994
Finance costs	(4,431)	(4,432)	(7,502)	(7,572)
(Loss)/profit before taxation	(8,907)	909	(10,470)	(1,578)
Taxation	(381)	(629)	(1,151)	(1,318)
(Loss)/profit for the period	<b>(9,288)</b>	<b>280</b>	<b>(11,621)</b>	<b>(2,896)</b>

##### Note:

Inter-segment sales under pharmaceutical wholesales and distribution business for three months ended 30 September 2016 amounted to approximately HK\$6,499 million (2015: approximately HK\$13,030 million) and for six months ended 30 September 2016 approximately HK\$12,613 million (2015: approximately HK\$36,361 million). Inter-segment sales are charged at arm's length and fully eliminated under consolidation.

*Segment assets and liabilities*

	Pharmaceutical wholesale and distribution business HK\$'000	Pharmaceutical retail chain business HK\$'000	Consolidated HK\$'000
<i>As at 30 September 2016 (unaudited)</i>			
<b>Assets</b>			
Segment assets	463,206	179,370	642,576
Unallocated corporate assets			28,049
Consolidated total assets			670,625
<b>Liabilities</b>			
Segment liabilities	233,113	84,052	317,165
Convertible note			80,475
Deferred tax liabilities			629
Unallocated corporate liabilities			3,933
Consolidated total liabilities			402,202
<i>As at 31 March 2016 (audited)</i>			
<b>Assets</b>			
Segment assets	473,700	148,952	622,652
Unallocated corporate assets			24,146
Consolidated total assets			646,798
<b>Liabilities</b>			
Segment liabilities	204,516	70,843	275,359
Convertible note			77,267
Deferred tax liabilities			563
Unallocated corporate liabilities			3,085
Consolidated total liabilities			356,274

5. (Loss)/profit from operations

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(Loss)/profit from operations has been arrived at after charging:				
Depreciation of property, plant and equipment	933	942	1,853	1,942
Operating lease rentals in respect of land and building	6,915	6,900	14,634	14,478
Amortization of prepaid lease payment	89	45	179	91
Cost of inventories sold	206,043	320,215	460,012	594,906
Staff costs (including directors' remuneration)	18,701	17,062	38,684	35,084

6. Finance costs

	Three months ended 30 September		Six months ended 30 September	
	2016	2015	2016	2015
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest on:				
– Bank borrowing	1,116	4,432	2,010	7,572
– Convertible note	3,315	–	5,492	–
	4,431	4,432	7,502	7,572

## 7. Taxation

No provision for Hong Kong Profits Tax has been made in the Interim Financial Statements as the Group had no assessable profits derived from Hong Kong's operations during the period (2015: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the pharmaceutical wholesale and distribution and pharmaceutical retail chain businesses in the PRC (2015: approximately 25%).

## 8. Loss per share

The calculation of basic loss per share for the three months ended 30 September 2016 and six months ended 30 September 2016 was based on the loss attributable to owners of the Company of approximately HK\$9.192 million (three months ended 30 September 2015: approximately HK\$1.283 million for the basic earnings per share) and approximately HK\$12.145 million (six months ended 30 September 2015: approximately HK\$4.954 million for the basic loss per share) respectively and on the weighted average number of ordinary shares 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 dilutive ordinary shares in existence during the three months and six months ended 30 September 2016 and 2015.

## 9. Goodwill

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
Balance b/f	342	787,382
Release of goodwill due to disposal of subsidiary	–	(1,852)
Exchange realignment	<u>(11)</u>	<u>(19)</u>
	331	785,511
Impairment	<u>–</u>	<u>(785,169)</u>
Balance c/f	<u><u>331</u></u>	<u><u>342</u></u>

## 10. Trade and other receivables and deposits

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Trade receivables, net	97,325	194,258
Bill receivables	1,899	5,854
Prepayments and deposits paid	160,223	50,213
Prepaid lease payments	354	365
Other receivables	172,567	34,454
	<b>432,368</b>	<b>285,144</b>
Less: Impairment loss recognised in respect of other receivables	<b>(943)</b>	<b>(973)</b>
	<b>431,425</b>	<b>284,171</b>

Payment terms with customers from the pharmaceutical wholesale and distribution business and pharmaceutical retail chain business are mainly on credit. Invoices are normally payable from 30 to 90 days of issuance. The following is an aged analysis of trade receivables based on invoice date at the end of the reporting period:

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
0 to 90 days	37,092	151,264
91 to 180 days	24,268	35,957
181 to 365 days	12,229	7,037
Over 365 days	27,241	5,397
	<b>100,830</b>	<b>199,655</b>
Less: Impairment loss recognised in respect of trade receivables	<b>(3,505)</b>	<b>(5,397)</b>
	<b>97,325</b>	<b>194,258</b>

## 11. Amounts due from fellow subsidiaries

Amounts due from fellow subsidiaries are unsecured, interest free and recoverable on demand.

**12. Pledged bank deposits**

As at 30 September 2016, the Group had pledged bank deposits of approximately HK\$7.968 million to secure banking facilities granted to the Group (31 March 2016: approximately HK\$6.096 million).

**13. Share capital**

	Number of shares	Nominal value of ordinary shares HK\$'000
<i>Authorised:</i>		
Ordinary shares of HK\$0.01 each at 31 March 2016 and 30 September 2016	2,000,000,000	20,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each at 31 March 2016 and 30 September 2016	648,405,300	6,484

**14. Trade and other payables**

	30 September 2016 HK\$'000 (Unaudited)	31 March 2016 HK\$'000 (Audited)
Trade payables	75,747	162,420
Bill payables	15,126	16,308
Receipt in advance	16,616	17,912
Accruals and other payables	136,460	36,438
	<u>243,949</u>	<u>233,078</u>

Bill payables were secured by certain pledged bank deposits.



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

	<b>30 September 2016 HK\$'000 (Unaudited)</b>	31 March 2016 HK\$'000 (Audited)
0 to 90 days	45,309	106,571
91 to 180 days	8,337	30,174
181 to 365 days	7,336	10,094
Over 365 days	14,765	15,581
	<u>75,747</u>	<u>162,420</u>

**15. Amounts due to the ultimate holding company/fellow subsidiaries**

Amounts due to the ultimate holding company/fellow subsidiaries are unsecured, interest free and repayable on demand.

**16. Dividends**

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2016 (2015: Nil).

**17. Related party transactions**

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

**a) Key management personnel**

Remuneration for key personnel management, including amount paid to the Company's directors and other members of key management during the period were as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Salaries, allowances and benefits in kind	<b>390</b>	304
Provident fund contributions	<b>12</b>	3
Total compensation paid to key management personnel	<b>402</b>	307

**b) Transaction**

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

Name of related parties and nature of transactions	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2016</b>	<b>2015</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Licence free paid to Hua Xia Healthcare Holdings Limited which is the ultimate holding company	<b>240</b>	249
Rental expenses paid to the mother of Md. Yung Kai Lai	<b>38</b>	38
Rental expenses paid to Fujian Huihao Pharmaceutical Chain Company Limited which is 50% owned by the cousin of Md. Yung Ka Lai	<b>570</b>	570

## MANAGEMENT DISCUSSION AND ANALYSIS

### Financial Review

For the six months ended 30 September 2016 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$528.349 million (2015: approximately HK\$667.202 million), representing a decrease of approximately 20.81% 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 26.12% during the period under review.

Gross profit margin of the Group was approximately 12.93% for the six months ended 30 September 2016, compared to the gross profit margin of approximately 10.83% in the corresponding period in year 2015, representing slightly increase of approximately 2.1%.

The Group has recorded a loss from operations for the six months ended 30 September 2016 of approximately HK\$2.968 million as compared to the profit from operations of approximately HK\$5.994 million recorded in the corresponding period in year 2015.

Selling and distribution expenses for the period under review amounted to approximately HK\$47.393 million (2015: approximately HK\$47.118 million), slightly increasing by approximately 0.58% as compared to the same period last year.

Administrative expenses for the period under review amounted to approximately HK\$25.009 million (2015: approximately HK\$22.094 million), increased by about 13.19%, mainly because of the increase in staff costs.

## **Business Review and Outlook**

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<sup>#</sup>) 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.

### *Pharmaceutical wholesale and distribution*

The Group has a large and broad customer base through our distribution network in Fujian Province in the PRC. The Group distributes pharmaceutical products to our customers located principally in the Fujian Province and also sells pharmaceutical products in neighboring provinces such as Guangdong, Hunan, Hubei, Jiangxi, Anhui and Zhejiang. Our customers can be categorized into three types namely hospitals and healthcare institutions, distributor customers and end customers such as companies operating pharmaceutical retail chain stores, independent pharmacies, and outpatient departments of community hospitals, healthcare service stations and clinics. The turnover generated from the pharmaceutical wholesale and distribution business for the six months ended 30 September 2016 was approximately HK\$400.965 million (2015: approximately HK\$542.754 million), decreasing by approximately 26.12% as compared to the same period last year. The decrease was mainly attributable to the reduction in sales to distributor customers due to the stringent regulations after the promulgation and implementation of the New GSP.

### *Pharmaceutical retail chain*

The Group operates pharmaceutical retail business through Fujian Huihao Sihai Pharmaceutical Chain Company Limited# (福建惠好四海醫藥連鎖有限責任公司) which was accounted for as one of our subsidiaries. The Group offers a wide variety of products in our retail pharmacies including prescription medicines, over-the-counter medicines, healthcare food products, traditional Chinese medicines, medical supplies and medical devices. The Group seeks to introduce new products and services to meet changing customer preferences and to differentiate the Group from our competitors. The turnover generated from pharmaceutical retail chain business for the six months ended 30 September 2016 amounted to approximately HK\$127.384 million (2015: approximately HK\$124.448 million), representing an increase of approximately 2.36% compared to the same period last year.

As at 30 September 2016, we directly operated 120 retail pharmacies in six prefectural – level districts of the Fujian Province in the PRC under the brand name “Huihao Sihai”.

### **Future Prospects**

The management of the Group has realised that the New GSP is a challenge as well as a potential opportunities for the Group to continue to address the needs of the market and the public through refined services and quality products.

It is a challenge as well as a potential opportunities for the group because the promulgation and implementation of the new Good Supply Practice in Fujian, the PRC in 2014 imposes stringent regulations on pharmaceutical distributor operation which caused decrease in pharmaceutical wholesales business of the group on the ground that majority of the existing distributor customers of the group who are not qualified enterprises under the new Good Supply Practice were walked out from the sector. Also, due to the constraint of the existing direct sale distribution facilities of the group, it is unable to cater for all the market shares on distribution sale business which are covered by those existing distributor customers. Nevertheless, it granted a potential opportunities to the group because in August 2014, Fujian Food and Drug Administration# (福建省食品藥品監督管理局) announced that 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 Fujian Province Funzhou City Huihao Pharmaceutical Co. Limited# (福建省福州市惠好藥業有限公司) is on the list.

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

The pharmaceutical market consolidation has continued at national and local level providing opportunities for companies with large scale operations like the Group. At the same time, competition among the industry is keen. Our group would actively look for further development opportunities made available by the continued healthcare reform arisen from the New GSP. We will also continue further strengthen our drug delivery to hospitals and wholesales segments business and expansion of retails pharmacies in the year 2016/17.

### **Interim Dividend**

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2016 (2015: Nil).

### **Liquidity and Financial Resources**

The Group had total cash and cash equivalents of approximately HK\$82.760 million as at 30 September 2016 (31 March 2016: approximately HK\$203.500 million).

The Group recorded total current assets of approximately HK\$635.586 million as at 30 September 2016 (31 March 2016: approximately HK\$609.526 million) and total current liabilities of approximately HK\$321.098 million as at 30 September 2016 (31 March 2016: approximately HK\$278.444 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.979 as at 30 September 2016 (31 March 2016: approximately 2.189).

As at 30 September 2016, the total amount of bank loans was approximately HK\$73.504 million (31 March 2016: approximately HK\$32.396 million) which were secured by corporate guarantee by intra-group company, carries variable interest rates at 6.90% to 6.53% (31 March 2016: 7.28% to 9.00%).

Gearing ratio (borrowings net of cash and cash equivalent, over equity attributable to owners of the Company) as at 30 September 2016 was approximately 35.29% (31 March 2016: N/A).

## **Contingent Liabilities**

As at 30 September 2016, no member of the Group was engaged in any litigation or arbitration of material importance and no litigation or claim of material importance was known to the directors of the Company (the “Directors”) to be pending or threatened against any member of the Group (31 March 2016: Nil).

## **Financing and Treasury Policies**

The Group continues to adopt prudent financing and treasury policies. All the Group’s financing and treasury activities are centrally managed and controlled. Implementation of the Group’s related policies is made under collective but extensive considerations on liquidity risk, financing cost and exchange rate risk.

## **Foreign Exchange Risk**

Almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars and most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk. As the fiscal policy of the Central Government of the PRC in relation to Renminbi is stable throughout the period, the Directors believe that the potential foreign exchange exposure to the Group is limited. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the six months ended 30 September 2016.

## **Material Acquisitions and Disposals**

For the six months ended 30 September 2016, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures.

## **Charges on the Group's Assets**

As at 30 September 2016, the Group's bank deposits of approximately HK\$7.968 million (31 March 2016: approximately HK\$6.096 million) was pledged as collateral to secure general banking facilities granted to the Group.

## **Share Capital**

On 14 May 2015, the Company through a Placing Agent, to place 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 30 September 2016, the Group had no material capital commitment.

## **Employee Information**

As at 30 September 2016, the Group had 1,112 (31 March 2016: 1,128) full time employees. During the six months ended 30 September 2016, the staff costs, including Directors' remuneration, totalled approximately HK\$38.684 million (six months ended 30 September 2015: approximately HK\$35.084 million). Share options and bonuses are also available to the Group's employees at the discretion of the Board and depending upon the financial performance of the Group.

## **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 30 September 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 interest	Number of shares	Position	Approximate percentage of the total issued shares
Md. Yung Ka Lai	Corporate interest	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	4,410,000 (Note 2)	Long	0.19%

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

Note 2: represented 4,410,000 share options of the Company's associated corporation.

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

As at 30 September 2016, 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, both 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 September 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.

## **DIRECTORS' RIGHTS TO ACQUIRE SECURITIES**

Apart from as disclosed under the heading "Directors' and chief executive's interests in shares, underlying shares and debentures" above, at no time since incorporation of the Company were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company or of any other body corporate granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them; or was the Company, its holding company or any of its subsidiaries a party to any arrangement to enable the Directors, their respective spouse or children under 18 years of age to acquire such rights in any other body corporate.

## SHARE OPTION SCHEMES

On 24 September 2013, the Company adopted a share option scheme (the “**Share Option Scheme**”) whereby the Board can grant options for the subscription of our shares to the employees, managerial staff and senior employees and those other persons that the Board considers that they will contribute or have contributed to the Group (the “**Participants**”) as described in the Share Option Scheme in order to serve as compliment and to reciprocate their contribution to the Group. The maximum number of shares that can be issued according to the Share Option Scheme was 64,840,530 shares, which is equivalent to 10% of the issued capital of the Company after completion of the Listing on the Stock Exchange. The number of options that may be granted pursuant to the terms of the Share Option Scheme shall not exceed 10% of the issued shares immediately after the completion of the Listing. Unless otherwise approved by the shareholders of the Company in general meeting, the number of shares that may be granted to a Participant under the options shall not exceed 1% within any 12-month period (other than those granted to the substantial shareholders (as defined in the Listing Rules) of the Company or the independent non-executive Directors or any of their respective associates (as defined in the Listing Rules)), or the total number of shares that may be granted under the options to the substantial shareholders of the Company or the independent non-executive Directors or any of their respective associates shall not exceed 0.1% of the shares in issue of the Company from time to time. There is no minimum period that the options must be held before they become exercisable, and the options granted shall be exercised within the period decided by the Board; however no options shall be exercised 10 years after they have been granted. The exercise price of the option shall be the higher of (a) the closing price of the shares on the daily quotation sheet of the Stock Exchange on the date of grant; (b) the average closing price of the shares on the daily quotation sheet of the Stock Exchange for the five trading days immediately preceding the date of grant; and (c) nominal value of the share. Each grantee shall pay a consideration of HK\$1.00 at the time the option is granted. The Share Option Scheme shall take effect from the date it is adopted and shall remain effective within a period of 10 years from that date.

Since the Share Option Scheme was adopted, no options have been granted up to the date of this interim report.

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

During the six month ended 30 September 2016, there was 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 has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard set out in the Model Code. The Company has made specific enquiry with all Directors and all the Directors have confirmed their compliance with the required standards set out in the Model Code throughout the period ended 30 September 2016.

## **CORPORATE GOVERNANCE**

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code set out in Appendix 14 to the Listing Rules. To the knowledge of the Board, the Company had fully complied with the code provisions in the Corporate Governance Code (the "CG Code") for the six months ended 30 September 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 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 six months ended 30 September 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.

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information available to the Company and within the knowledge of the Directors, the Company maintained adequate public float since the listing of the Shares on 11 October 2013.

By order of the Board  
**Wanjia Group Holdings Limited**  
**Chen Jinshan**  
*Executive Director*

Hong Kong, 7 November 2016