



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 2017/2018

HIGHLIGHTS

- The Group has recorded a total turnover of approximately HK\$312.769 million for the six months ended 30 September 2017 as compared to a total turnover of approximately HK\$528.349 million recorded in the corresponding period during the six months ended 30 September 2016, representing a decrease of approximately 40.80%.
- Loss attributable to owners of the Company was approximately HK\$28.321 million for the six months ended 30 September 2017 (2016: approximately HK\$12.145 million).
- The Group had total cash and cash equivalents of approximately HK\$31.023 million as at 30 September 2017 (31 March 2017: approximately HK\$93.721 million).
- The basic and diluted loss per share was approximately HK4.37 cents (2016: Basic and diluted loss per share of approximately HK1.87 cents).
- The directors do not recommend the payment of an interim dividend (2016: 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 six months ended 30 September 2017, with the unaudited comparative figures for the corresponding periods in 2016 as follows:

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

For the six months ended 30 September 2017

	Notes	Six months ended 30 September	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Turnover	3 & 4	312,769	528,349
Cost of sales		(268,018)	(460,012)
Gross profit		44,751	68,337
Other revenue and income		3,658	1,097
Selling and distribution expenses		(42,644)	(47,393)
Administrative expenses		(26,500)	(25,009)
Loss from operations	5	(20,735)	(2,968)
Finance costs	6	(6,904)	(7,502)
Loss before taxation		(27,639)	(10,470)
Taxation	7	(1,689)	(1,151)
Loss for the period		(29,328)	(11,621)
Other comprehensive loss for the period, net of tax			
Items that may be reclassified subsequently to profit or loss			
Exchange differences arising on translating foreign operations		7,177	(10,480)
Total comprehensive loss for the period		(22,151)	(22,101)

		Six months ended	
		30 September	
		2017	2016
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Unaudited)
Loss for the period attributable to:			
Owners of the Company		(28,321)	(12,145)
Non-controlling interests		<u>(1,007)</u>	<u>524</u>
		<u>(29,328)</u>	<u>(11,621)</u>
Total comprehensive loss			
for the period attributable to:			
Owners of the Company		(18,886)	(20,957)
Non-controlling interests		<u>(3,265)</u>	<u>(1,144)</u>
		<u>(22,151)</u>	<u>(22,101)</u>
Dividends	15	<u>–</u>	<u>–</u>
Loss per share attributable to			
owners of the Company			
– Basic and diluted			
<i>(HK cents per share)</i>	8	<u>(4.37)</u>	<u>(1.87)</u>

Unaudited Condensed Consolidated Statement of Financial Position
At 30 September 2017

		30 September	31 March
		2017	2017
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Audited)
Non-current assets			
Property, plant and equipment		23,847	27,318
Prepaid lease payments		10,695	10,276
Investment properties		7,042	6,766
Goodwill	9	<u>124,112</u>	<u>123,871</u>
		<u>165,696</u>	<u>168,231</u>
Current assets			
Inventories		81,594	86,134
Trade and other receivables and deposits	10	206,066	202,097
Pledged bank deposits	11	5,145	10,156
Cash and cash equivalents		<u>31,023</u>	<u>93,721</u>
		<u>323,828</u>	<u>392,108</u>
Total assets		<u><u>489,524</u></u>	<u><u>560,339</u></u>
Capital and reserves			
Share capital	12	6,484	6,484
Reserves		<u>163,315</u>	<u>181,627</u>
Equity attributable to owners of the Company		<u>169,799</u>	188,111
Non-controlling interests		<u>46,408</u>	<u>49,673</u>
Total equity		<u>216,207</u>	<u>237,784</u>

		30 September	31 March
		2017	2017
		HK\$'000	HK\$'000
	Notes	(Unaudited)	(Audited)
Current liabilities			
Trade and other payables	13	175,916	178,346
Amount due to a director	14	1,000	–
Bank borrowings		9,389	59,342
Convertible notes		83,420	83,369
Tax payables		3,450	1,418
Deferred tax liabilities		142	80
		<u>273,317</u>	<u>322,555</u>
Total equity and liabilities		<u><u>489,524</u></u>	<u><u>560,339</u></u>
Net current assets		<u><u>50,511</u></u>	<u><u>69,553</u></u>
Total assets less current liabilities		<u><u>216,207</u></u>	<u><u>237,784</u></u>

Unaudited Condensed Consolidated Statement of Changes in Equity For the six months ended 30 September 2017

	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
	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 2017 (audited)	6,484	(7,653)	(28,145)	866,811	(14,748)	32,207	7,695	(674,540)	188,111	49,673	237,784
Loss for the period	-	-	-	-	-	-	-	(28,321)	(28,321)	(1,007)	(29,328)
Other comprehensive loss for the period	-	-	-	-	9,435	-	-	-	9,435	(2,258)	7,177
Total comprehensive loss for the period	-	-	-	-	9,435	-	-	(28,321)	(18,886)	(3,265)	(22,151)
Transfer of reserve upon expiry of convertible notes	-	-	-	-	-	-	(7,695)	7,695	-	-	-
Extension of convertible notes	-	-	-	-	-	-	1,000	-	1,000	-	1,000
Deferred taxation of convertible notes	-	-	-	-	-	-	(426)	-	(426)	-	(426)
At 30 September 2017 (unaudited)	6,484	(7,653)	(28,145)	866,811	(5,313)	32,207	574	(695,166)	169,799	46,408	216,207

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 2017

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash used in operating activities	(19,469)	(141,027)
Net cash generated from investing activities	150	150
Net cash (used in)/generated from financing activities	(51,360)	33,483
Net decrease in cash and cash equivalents	(70,679)	(107,394)
Cash and cash equivalents at 1 April	93,721	203,500
Effect of foreign currency exchange rate changes	7,981	(13,346)
Cash and cash equivalents at 30 September	<u>31,023</u>	<u>82,760</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

For the six months ended 30 September 2017

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 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.

However, on 2 March 2017, the shares of the Company held by Hua Xia have been distributed by Hua Xia to its shareholders. Since then, the Company is no longer a subsidiary of Hui Xia.

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

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 2017 (“**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 2017 (the “**2016/2017 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 2016/2017 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, pharmaceutical retail chain business and provides hemodialysis treatment and consultancy service 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 or services delivered or provided. The Group organised into three operating divisions: (a) pharmaceutical wholesale and distribution business; (b) pharmaceutical retail chain business and (c) hemodialysis treatment and consultancy service business in the PRC. These divisions are the bases on which the Group reports its segment information.

Segment revenue and results

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Turnover		
– Pharmaceutical wholesale and distribution business	180,535	400,965
– Pharmaceutical retail chain business	121,673	127,384
– Hemodialysis treatment and consultancy service business	10,561	–
	<u>312,769</u>	<u>528,349</u>
Results		
– Pharmaceutical wholesale and distribution business	(1,457)	3,912
– Pharmaceutical retail chain business	(16,305)	(4,338)
– Hemodialysis treatment and consultancy service business	464	–
Unallocated corporate expenses	<u>(3,437)</u>	<u>(2,542)</u>
Loss from operations	(20,735)	(2,968)
Finance costs	<u>(6,904)</u>	<u>(7,502)</u>
Loss before taxation	(27,639)	(10,470)
Taxation	<u>(1,689)</u>	<u>(1,151)</u>
Loss for the period	<u>(29,328)</u>	<u>(11,621)</u>

Note:

Inter-segment sales under pharmaceutical wholesales and distribution business for six months ended 30 September 2017 approximately HK\$3.074 million (2016: approximately HK\$12.613 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	Hemodialysis treatment and consultancy service business HK\$'000	Consolidated HK\$'000
<i>As at 30 September 2017 (unaudited)</i>				
Assets				
Segment assets	325,918	144,084	18,635	488,637
Unallocated corporate assets				887
Consolidated total assets				<u>489,524</u>
Liabilities				
Segment liabilities	108,147	79,918	4,212	192,277
Convertible note				83,420
Deferred tax liabilities				142
Unallocated corporate liabilities				(2,522)
Consolidated total liabilities				<u>273,317</u>
<i>As at 31 March 2017 (audited)</i>				
Assets				
Segment assets	395,085	143,036	21,866	559,987
Unallocated corporate assets				352
Consolidated total assets				<u>560,339</u>
Liabilities				
Segment liabilities	169,873	62,381	4,681	236,935
Convertible note				83,369
Deferred tax liabilities				80
Unallocated corporate liabilities				2,171
Consolidated total liabilities				<u>322,555</u>

5. Loss from operations

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	2,045	1,853
Operating lease rentals in respect of land and building	13,013	14,634
Amortization of prepaid lease payment	424	179
Cost of inventories sold	268,018	460,012
Staff costs (including directors' remuneration)	33,075	38,684

6. Finance costs

	Six months ended	
	30 September	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
– Bank borrowing	1,416	2,010
– Convertible notes	5,488	5,492
	6,904	7,502

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 (2016: Nil).

Corporate income tax of approximately 25% has been provided for the profit generated from the pharmaceutical wholesale and distribution business, pharmaceutical retail chain businesses and provides hemodialysis treatment and consultancy service in the PRC (2016: approximately 25%).

8. Loss per share

The calculation of basic loss per share for the six months ended 30 September 2017 was based on the loss attributable to owners of the Company of approximately HK\$28,321 million (six months ended 30 September 2016: approximately HK\$12,145 million for the basic loss per share) and on the weighted average number of ordinary shares of 648,405,300 shares (2016: 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 six months ended 30 September 2017 and 2016.

9. Goodwill

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Balance b/f	123,871	785,511
Additional amounts recognised from business combination occurring during the year	–	123,550
Exchange realignment	241	(21)
	124,112	909,040
Impairment	–	785,169
Balance c/f	124,112	123,871

10. Trade and other receivables and deposits

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade receivables, net	61,431	110,026
Bill receivables	–	14,022
Prepayments and deposits paid	14,823	24,950
Prepaid lease payments	381	366
Other receivables	<u>130,383</u>	<u>53,648</u>
	207,018	203,012
Less: Impairment loss recognised in respect of other receivables	<u>(952)</u>	<u>(915)</u>
	<u>206,066</u>	<u>202,097</u>

Payment terms with customers from the pharmaceutical wholesale and distribution business, pharmaceutical retail chain business and hemodialysis treatment and consultancy service 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 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
0 to 90 days	48,807	90,437
91 to 180 days	6,520	11,900
181 to 365 days	3,453	7,689
Over 365 days	<u>8,545</u>	<u>5,663</u>
	67,325	115,689
Less: Impairment loss recognised in respect of trade receivables	<u>(5,894)</u>	<u>(5,663)</u>
	<u>61,431</u>	<u>110,026</u>

11. Pledged bank deposits

As at 30 September 2017, the Group had pledged bank deposits of approximately HK\$5.145 million to secure banking facilities granted to the Group (31 March 2017: approximately HK\$10.156 million).

12. 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 2017 and 30 September 2017	2,000,000,000	20,000
<i>Issued and fully paid:</i>		
Ordinary shares of HK\$0.01 each at 31 March 2017 and 30 September 2017	648,405,300	6,484

13. Trade and other payables

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
Trade payables	59,319	100,388
Bill payables	14,859	21,557
Accruals and other payables	82,747	39,699
Receipt in advance	18,991	16,702
	175,916	178,346

Bill payables were secured by certain pledged bank deposits.

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

	30 September 2017 HK\$'000 (Unaudited)	31 March 2017 HK\$'000 (Audited)
0 to 90 days	39,593	60,068
91 to 180 days	5,213	14,087
181 to 365 days	3,618	4,954
Over 365 days	10,895	21,279
	59,319	100,388

14. Amount due to a director

Amount due to a director is unsecured, interest free and repayable on demand.

15. Dividends

The directors do not recommend the payment of an interim dividend for the six months ended 30 September 2017 (2016: Nil).

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

	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Salaries, allowances and benefits in kind	810	390
Provident fund contributions	18	12
Total compensation paid to key management personnel	<u>828</u>	<u>402</u>

b) Transaction

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

Name of related parties and nature of transactions	Six months ended 30 September	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Licence fee paid to Hua Xia Healthcare Holdings Limited which was the ultimate holding company	<u>N/A</u>	<u>240</u>
Rental expenses paid to the mother of Md. Yung Ka Lai	<u>37</u>	<u>38</u>
Rental expenses paid to Fujian Huihao Pharmaceutical Chain Company Limited which is 50% owned by the cousin of Md. Yung Ka Lai	<u>558</u>	<u>570</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Financial Review

For the six months ended 30 September 2017 (the “**period under review**”), the Group recorded a turnover on business operations of approximately HK\$312.769 million (2016: approximately HK\$528.349 million), representing a decrease of approximately 40.80% as compared to the same period last year. The decrease in turnover was mainly attributable to a decrease in revenue generated from the pharmaceutical wholesales segment as a result of the loss of customers due to the promulgation and implementation of 2014 Good Supply Practice (“**2014 GSP**”) in Fujian, the People’s Republic of China in April 2014 which imposes stringent regulations on pharmaceutical distributor operation. Under the 2014 GSP, only selected pharmaceutical distributors are allowed to distribute medicine to the public hospitals and public healthcare institutions. Due to the tightening policy of the 2014 GSP, the distributor customers became very prudent in placing the purchase order to our Group. The sale to our distributor customers has been decreased by approximately 54.97% during the period under review.

Gross profit margin of the Group was approximately 14.31% for the six months ended 30 September 2017, compared to the gross profit margin of approximately 12.93% in the corresponding period in year 2016, representing slightly increase of approximately 1.38%.

The Group has recorded a loss from operations for the six months ended 30 September 2017 of approximately HK\$20.735 million (2016: approximately HK\$2.968 million), the increase in the loss from operations was because the sales for the period decreased.

Selling and distribution expenses for the period under review amounted to approximately HK\$42.644 million (2016: approximately HK\$47.393 million), decreasing by approximately 10.02% as compared to the same period last year was mainly because the decrease in staff cost and loading fee.

Administrative expenses for the period under review amounted to approximately HK\$26.500 million (2016: approximately HK\$25.009 million), increased by about 5.96%. It was mainly because the increase in depreciation and advertising.

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[#]) is on the list. Notwithstanding this recognition as a qualified participant in the distribution industry is encouraging, the effect of the implementation of the 2014 GSP to 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 2017 was approximately HK\$180,535 million (2016: approximately HK\$400.965 million), decreasing by approximately 54.97% 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 2014 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 2017 amounted to approximately HK\$121.673 million (2016: approximately HK\$127.384 million), representing a decrease of approximately 4.48% compared to the same period last year.

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

As at 30 September 2017, we directly operated 116 retail pharmacies in six prefectural – level districts of the Fujian Province in the PRC under the brand name “Huihao Sihai”.

Hemodialysis treatment and consultancy service business

The Group acquired a new business in January 2017 and the completion of the acquisition of this business was in March 2017. The new business operates hemodialysis treatment and consultancy service business through jointly-operated and self-operated hemodialysis treatment centers and trading of hemodialysis treatment consumables and equipment in the PRC. The turnover contributed by the hemodialysis treatment and consultancy service business for the six months ended 30 September 2017 was approximately HK\$10.561 million.

Future Prospects

The management of the Group has realised that the 2014 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 2014 Good Supply Practice in Fujian, the PRC in 2014 imposes stringent regulations on pharmaceutical distributor operation which resulted a 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 2014 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 were covered by those walked out 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 2014 GSP. We will also continue further to strengthen our drug delivery to hospitals and wholesales segments business and expansion of retails pharmacies in the year 2017/2018.

Interim Dividend

The Board does not recommend the payment of any interim dividend for the six months ended 30 September 2017 (2016: Nil).

Liquidity and Financial Resources

The Group had total cash and cash equivalents of approximately HK\$31.023 million as at 30 September 2017 (31 March 2017: approximately HK\$93.721 million).

The Group recorded total current assets of approximately HK\$323.828 million as at 30 September 2017 (31 March 2017: approximately HK\$392.108 million) and total current liabilities of approximately HK\$273.317 million as at 30 September 2017 (31 March 2017: approximately HK\$322.555 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.185 as at 30 September 2017 (31 March 2017: approximately 1.216).

As at 30 September 2017, the total amount of bank loans was approximately HK\$9.389 million (31 March 2017: approximately HK\$59.342 million) which were secured by corporate guarantee by intra-group company, carries variable interest rates at 5.22% (31 March 2017: 4.30% to 5.66%).

Gearing ratio (borrowings net of cash and cash equivalent, over equity attributable to owners of the Company) as at 30 September 2017 was approximately 36.38% (31 March 2017: 26.04%).

Contingent Liabilities

As at 30 September 2017, 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 2017: 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 2017.

Material Acquisitions and Disposals

For the six months ended 30 September 2017, 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 2017, the Group's bank deposits of approximately HK\$5.145 million (31 March 2017: approximately HK\$10.156 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 and the CNs who expired on 31 May 2017. On 1 June 2017, the Company and the placees agreed to extend the expiry date to 30 November 2017. 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 2017, the Group had no material capital commitment.

Employee Information

As at 30 September 2017, the Group had 983 (31 March 2017: 1,112) full time employees. During the six months ended 30 September 2017, the staff costs, including Directors' remuneration, totalled approximately HK\$32.855 million (six months ended 30 September 2016: approximately HK\$38.684 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*

As at 30 September 2017, 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:

Name of director	Nature of interest	Number of shares	Position	Approximate percentage of the total issued shares
Md. Yung Ka Lai	Corporate interest	11,201,475	Long	1.73%

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

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

As at 30 September 2017, 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:

Name of shareholder	Capacity	Position	Number of shares	Approximate percentage of the total issued shares
China Child Care Corporation Limited	Beneficial owner	Long	90,000,000	13.88%
New Hope International (Hong Kong) Limited (Note)	Beneficial owner	Long	54,914,804	8.47%
Southern Hope Enterprise Company Limited (Note)	Corporate interest	Long	54,914,804	8.47%
New Hope Group Company Limited (Note)	Corporate interest	Long	54,914,804	8.47%
Tibet Hengye Feng Industrial Company Limited (Note)	Corporate interest	Long	54,914,804	8.47%
Mr. Liu Yonghao (Note)	Corporate interest	Long	54,914,804	8.47%
Ms. Liu Chang (Note)	Corporate interest	Long	54,914,804	8.47%
Ms. Li Wei (Note)	Interest of spouse	Long	54,914,804	8.47%

Note: New Hope International (Hong Kong) Limited is interested in 54,914,804 shares. The issued share capital of New Hope International (Hong Kong) Limited is owned as to 75% by Southern Hope Enterprise Company Limited which is in turn owned as to 51% by New Hope Group Company Limited and 49% by Tibet Hengye Feng Industrial Company Limited. Both New Hope Group Company Limited and Tibet Hengye Feng Industrial Company Limited are owned as to 62.34% by Mr. Liu Yonghao, as to 36.35% by Ms. Liu Chang and as to 1.31% by Ms. Li Wei. Mr. Liu Yonghao, Ms. Liu Chang and Ms. Li Wei are deemed to be interested in the shares in which New Hope International (Hong Kong) Limited is interested in.

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 2017, 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 2017.

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 2017.

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. Chiu King Yan, 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 consists of three independent non-executive directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Fok Wai Ming Eddie.

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. Wong Hon Kit, Dr. Liu Yongping and Mr. Fok Wai Ming Eddie. 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 2017 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, 17 November 2017