



**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  
**2019/2020**

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## CORPORATE INFORMATION

### BOARD OF DIRECTORS

The Board of Directors as now constituted is listed below:

#### Executive Directors

Mr. Chen Jinshan  
Mr. Wang Jia Jun

#### Independent Non-Executive Directors

Mr. Wong Hon Kit  
Dr. Liu Yongping  
Mr. Ho Man

### AUTHORISED REPRESENTATIVES

Mr. Wang Jia Jun  
Mr. Tam Sze Kin

### COMPANY SECRETARY

Mr. Tam Sze Kin

### AUDIT COMMITTEE

Mr. Wong Hon Kit (*Chairman*)  
Dr. Liu Yongping  
Mr. Ho Man

### REMUNERATION COMMITTEE

Mr. Wong Hon Kit (*Chairman*)  
Dr. Liu Yongping  
Mr. Ho Man

### NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

Mr. Wong Hon Kit  
Dr. Liu Yongping  
Mr. Ho Man

### REGISTERED OFFICE

P.O. Box 10008,  
Willow House, Cricket Square  
Grand Cayman  
KY1-1001  
Cayman Islands

### HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1902, 19th Floor  
101 King's Road  
Hong Kong

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited  
P.O. Box 10008,  
Willow House, Cricket Square  
Grand Cayman  
KY1-1001  
Cayman Islands

### HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKERS

Bank of Communications Co., Limited  
20 Pedder Street  
Central, Hong Kong

### AUDITORS

HLB Hodgson Impey Cheng Limited  
Certified Public Accountants  
31/F, Gloucester Tower  
The Landmark  
11 Pedder Street  
Central, Hong Kong

### STOCK CODE

401

### WEBSITE

[www.wanjia-gp.com](http://www.wanjia-gp.com)

## FINANCIAL HIGHLIGHTS

- Revenue was approximately HK\$51.441 million (2018: approximately HK\$47.654 million), representing an increase of approximately 7.95% as compared with the corresponding period during the six months ended 30 September 2018. The increase in revenue was mainly contributed by of the hemodialysis treatment and consultancy service business.
- Loss for the Period from operations attributable to owners of the Company was approximately HK\$11.637 million (2018: approximately HK\$57.155 million). The improvement in financial results was due to the decrease in the administrative expenses and no impairment of goodwill for the Period.
- The Group had total cash and cash equivalents of approximately HK\$28.074 million as at 30 September 2019 (31 March 2019: approximately HK\$28.816 million).
- The basic and diluted loss per share was approximately HK\$1.25 cents (2018: Basic and diluted loss per share of approximately HK\$7.54 cents).
- The Board does not recommend the payment of an interim dividend (2018: Nil).

## INTERIM RESULTS

The board of directors (the “**Board**”, and the members of the Board, the “**Directors**”) of Wanjia Group Holdings Limited (the “**Company**”) is pleased to present the unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 September 2019, with the unaudited comparative figures for the corresponding periods in 2018 as follows:

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

		Six months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
	Notes		
<b>Continuing operations</b>			
<b>Revenue</b>	4 & 5	51,441	47,654
Cost of sales		(39,246)	(41,302)
<b>Gross profit</b>		12,195	6,352
Other revenue and income		202	(268)
Selling and distribution expenses		(8,344)	(1,933)
Administrative expenses		(7,607)	(9,775)
Impairment loss on goodwill		–	(35,462)
<b>Loss from operations</b>	6	(3,554)	(41,086)
Finance costs	7	(7,775)	(7,553)
<b>Loss before taxation</b>		(11,329)	(48,639)
Taxation	8	(308)	(805)
<b>Loss for the period from continuing operations attributable to owners of the Company</b>		(11,637)	(49,444)
<b>Discontinued operation</b>			
Loss for the period from discontinued operation attributable to owners of the Company		–	(7,711)
<b>Loss for the period attributable to owners of the Company</b>		(11,637)	(57,155)
<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		(19,602)	(25,490)
<b>Total comprehensive loss for the period</b>		(31,239)	(82,645)

		<b>Six months ended</b>	
		<b>30 September</b>	
		<b>2019</b>	<b>2018</b>
	Note	<b>HK\$'000</b>	<b>HK\$'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Loss for the period attributable to:</b>			
Owners of the Company			
– From continuing operating		(11,627)	(41,168)
– From discontinued operating		–	(7,696)
Non-controlling interests			
– From continuing operating		(10)	(8,276)
– From discontinued operating		–	(15)
		<u>(11,637)</u>	<u>(57,155)</u>
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of the Company			
– From continuing operating		(30,944)	(59,514)
– From discontinued operating		–	(14,878)
Non-controlling interests			
– From continuing operating		(295)	(6,602)
– From discontinued operating		–	(1,651)
		<u>(31,239)</u>	<u>(82,645)</u>
<b>Loss per share attributable to owners of the Company</b>			
From continuing and discontinued operations			
– Basic and diluted ( <i>HK cents per share</i> )	9	<u>1.25</u>	<u>7.54</u>
From continuing operations			
– Basic and diluted ( <i>HK cents per share</i> )		<u>1.25</u>	<u>6.35</u>

## Condensed Consolidated Statement of Financial Position

		At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
	Notes		
<b>Non-current assets</b>			
Property, plant and equipment		36,730	32,872
Right-of-use asset		30,392	–
Goodwill	10	87,221	95,208
		<u>154,343</u>	<u>128,080</u>
<b>Current assets</b>			
Inventories		9,171	10,920
Trade and other receivables and deposits	11	35,245	58,773
Cash and cash equivalents		28,074	28,816
		<u>72,490</u>	<u>98,509</u>
Total current assets		<u>72,490</u>	<u>98,509</u>
<b>Total assets</b>		<u><u>226,833</u></u>	<u><u>226,589</u></u>
<b>Capital and reserves</b>			
Share capital	12	9,337	7,781
Reserves		86,844	77,167
		<u>96,181</u>	<u>84,948</u>
<b>Equity attributable to owners of the Company</b>		<u>96,181</u>	<u>84,948</u>
<b>Non-controlling interests</b>		<u>1,865</u>	<u>50,147</u>
		<u>98,046</u>	<u>135,095</u>
<b>Total equity</b>		<u>98,046</u>	<u>135,095</u>

		At 30 September 2019 HK\$'000 (Unaudited)	At 31 March 2019 HK\$'000 (Audited)
	Notes		
<b>Current liabilities</b>			
Trade and other payables	13	25,759	28,236
Lease liabilities		19,647	–
Amounts due to a director and shareholders	14	3,200	2,000
Other borrowings	15	67,100	60,000
Tax payables		1,199	1,258
		<u>116,905</u>	<u>91,494</u>
<b>Non-current liabilities</b>			
Lease liabilities		<u>11,882</u>	–
		<u>11,882</u>	–
<b>Total equity and liabilities</b>		<u>226,833</u>	<u>226,589</u>
<b>Net current (liabilities)/assets</b>		<u>(44,415)</u>	<u>7,015</u>
<b>Total assets less current liabilities</b>		<u>109,928</u>	<u>135,095</u>



## Condensed Consolidated Statement of Changes in Equity

	Attributable to owners of the Company								Non-controlling interests	Total	
	Share capital	Share premium	Other reserve	Contribution reserve	Translation reserve	Statutory reserve	Convertible note reserve	(Accumulated loss)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2018 (Audited)	6,484	(7,653)	(28,145)	866,811	12,002	33,672	–	(723,896)	159,275	55,141	214,416
Loss for the period	–	–	–	–	–	–	–	(48,864)	(48,864)	(8,291)	(57,155)
Other comprehensive loss for the period	–	–	–	–	(25,528)	–	–	–	(25,528)	38	(25,490)
Total comprehensive loss for the period	–	–	–	–	(25,528)	–	–	(48,864)	(74,392)	(8,253)	(82,645)
At 30 September 2018 (Unaudited)	6,484	(7,653)	(28,145)	866,811	(13,526)	33,672	–	(772,760)	84,883	46,888	131,771

	Attributable to owners of the Company								Non-controlling interests	Total	
	Share capital	Share premium	Other reserve	Contribution reserve	Translation reserve	Statutory reserve	Share Option reserve	(Accumulated loss)			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 April 2019 (Audited)	7,781	4,177	(28,695)	866,811	(1,309)	26,429	3,944	(794,190)	84,948	50,147	135,095
Loss for the period	–	–	–	–	–	–	–	(11,627)	(11,627)	(10)	(11,637)
Other comprehensive loss for the period	–	–	–	–	(19,317)	–	–	–	(19,317)	(285)	(19,602)
Total comprehensive loss for the period	–	–	–	–	(19,317)	–	–	(11,627)	(30,944)	(295)	(31,239)
Issue of ordinary shares	1,556	6,847	–	–	–	–	–	–	8,403	–	8,403
Transaction cost attributable to placing of ordinary shares	–	(430)	–	–	–	–	–	–	(430)	–	(430)
Deemed acquisition in a subsidiary	–	–	48,046	(15,811)	–	–	–	1,969	34,204	(47,987)	(13,783)
At 30 September 2019 (Unaudited)	9,337	10,594	19,351	851,000	(20,626)	26,429	3,944	(803,848)	96,181	1,865	98,046

## Condensed Consolidated Statement of Cash Flows

	Six months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	19,316	(16,824)
Net cash used in investing activities	(24,029)	(45,679)
Net cash generated from financing activities	16,210	1,500
Net increase/(decrease) in cash and cash equivalents	11,497	(61,003)
Cash and cash equivalents at 1 April	28,816	91,922
Effect of foreign currency exchange rate changes on cash and cash equivalents	(12,239)	(6,887)
Cash and cash equivalents at 30 September	28,074	24,032

# NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## 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 P.O. Box 10008, Willow House, Cricket Square, Grand Cayman, KY1-1001 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 principal activity of the Company is investment holdings. The Group is principally engaged in pharmaceutical wholesale and distribution business and hemodialysis treatment and consultancy service business in the PRC.

The unaudited condensed consolidated interim 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. All values are rounded to nearest thousands (**HK\$'000**) unless otherwise stated.

## 2. Basis of preparation and principal accounting policies

The unaudited condensed consolidated interim financial statements (the “**Interim Financial Statements**”) have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”), which is a collective term that 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 Interim Financial Statements have been prepared under the historical cost convention except for certain financial instruments (including derivative financial instruments) and investment properties, which are measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange of assets.

Other than the changes in accounting policies resulting from application of new HKFRSs, in preparing these Interim Financial Statements, the significant judgments made by management in applying the Group’s accounting policies and the key sources of estimate uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 March 2019.

## 3. Significant Accounting Policies

The Group has adopted the following revised HKFRSs for the first time for the current Period’s Interim Financial Statements.

HKFRS 16	Leases
HK(IFRIC)-Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Prepayment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015-2017 cycle

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

### 3.1 Impacts and changes in accounting policies of application on HKFRS 16 Leases

The Group has applied HKFRS 16 for the first time in the Period. HKFRS 16 superseded HKAS 17 Leases (“**HKAS 17**”), and the related interpretations.

#### *Key changes in accounting policies resulting from application of HKFRS 16*

The Group applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

## Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date.

Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

## *As a lessee*

### Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components. As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

### Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight line basis over the lease term.

### Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

#### Leasehold land and building

For payments of a property interest which includes both leasehold land and building elements, the entire property is presented as property, plant and equipment of the Group when the payments cannot be allocated reliably between the leasehold land and building elements, except for those that are classified and accounted for as investment properties.

#### Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 Financial Instruments (“**HKFRS 9**”) and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

#### Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review/expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

#### Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and
- the consideration for the leases increases by an amount commensurate with the standalone price for the increase in scope and any appropriate adjustments to that standalone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

#### Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

#### *Transition and summary of effects arising from initial application of HKFRS 16*

##### Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease and not apply this standards to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- i. relied on the assessment of whether leases are onerous by applying HKAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;
- ii. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;
- iii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;
- iv. applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment;
- v. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 12.37%.



#### 4. Revenue

The principal activities of the Group are pharmaceutical wholesale and distribution business and provides hemodialysis treatment and consultancy service in the PRC.

#### 5. 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 two operating divisions: (a) pharmaceutical wholesale and distribution business and (b) hemodialysis treatment and consultancy service business in the PRC. These divisions are the bases on which the Group reports its segment information.

Information regarding the Group's reportable segments is presented below.

	<b>Pharmaceutical wholesale and distribution business HK\$'000</b>	<b>Hemodialysis treatment and consultancy service business HK\$'000</b>	<b>Consolidated HK\$'000</b>
<i>Six months ended 30 September 2019 (Unaudited)</i>			
<b>Revenue</b>			
External sales	<u>39,784</u>	<u>11,657</u>	<u>51,441</u>
<b>Results</b>			
Segment results	<u>(2,286)</u>	<u>2,752</u>	466
Unallocated corporate expenses			<u>(4,020)</u>
Loss from operations			<u>(3,554)</u>
Finance costs			<u>(7,775)</u>
Loss before taxation			(11,329)
Taxation			<u>(308)</u>
Loss for the period			<u><u>(11,637)</u></u>

	Pharmaceutical wholesale and distribution business HK\$'000	Hemodialysis treatment and consultancy service business HK\$'000	Consolidated HK\$'000
<b>Six months ended 30 September 2018 (Unaudited)</b>			
<b>Revenue</b>			
External sales	43,914	3,740	47,654
<b>Results</b>			
Segment results	(3,572)	1,981	(1,591)
Impairment loss on goodwill			(35,462)
Unallocated corporate expenses			(4,033)
Loss from operations			(41,086)
Finance costs			(7,553)
Loss before taxation			(48,639)
Taxation			(805)
Loss for the period			(49,444)

*Note:*

No inter-segment sales under pharmaceutical wholesales and distribution business and hemodialysis treatment and consultancy service business for the six months ended 30 September 2019 (2018: Nil). 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	Hemodialysis treatment and consultancy service business HK\$'000	Consolidated HK\$'000
<i>As at 30 September 2019 (Unaudited)</i>			
<b>Assets</b>			
Segment assets	70,765	61,078	131,843
Goodwill		87,221	87,221
Unallocated corporate assets			7,769
Consolidated total assets			226,833
<b>Liabilities</b>			
Segment liabilities	24,357	19,680	44,037
Other borrowing			67,100
Amounts due to a director and shareholders			3,200
Unallocated corporate liabilities			2,568
Consolidated total liabilities			116,905
<i>As at 31 March 2019 (Audited)</i>			
<b>Assets</b>			
Segment assets	81,808	47,679	129,487
Goodwill	–	95,208	95,208
Unallocated corporate assets			1,894
Consolidated total assets			226,589
<b>Liabilities</b>			
Segment liabilities	19,155	7,338	26,493
Other borrowing			60,000
Amount due to a director			2,000
Unallocated corporate liabilities			3,001
Consolidated total liabilities			91,494

## 6. Loss from operations

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Loss from operations has been arrived at after charging:		
Depreciation of property, plant and equipment	3,351	1,046
Operating lease rentals in respect of land and building	39	692
Impairment loss on goodwill	–	35,462
Cost of inventories sold	39,246	41,302
Staff costs (including directors' remuneration)	6,361	5,871

## 7. Finance costs

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Interest on:		
– Other borrowings	7,775	7,553
	7,775	7,553

## 8. Taxation

	Six months ended 30 September	
	2019	2018
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current – the PRC		
Charge for the period	308	805
Total tax charge for the period	308	805

The Group was not subject to any taxation under the jurisdiction of the Cayman Islands and British Virgin Islands during the Period (2018: Nil).

No provision for Hong Kong profits tax had been provided as the Group had no estimated assessable profit arising in Hong Kong during the Period (2018: Nil).

The Group's subsidiaries in the PRC were subject to Enterprise Income Tax at the rate of 25% based on the estimated assessable profit during the Period (2018: 25%).

## 9. Loss per share

The calculation of basic loss per share for the six months ended 30 September 2019 was based on the loss attributable to owners of the Company of approximately HK\$11.627 million (2018: approximately HK\$48.864 million for the basic loss per share) and on the weighted average number of ordinary shares of 933,703,560 shares (2018: 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 2019 and 2018.

## 10. Goodwill

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
<b>Cost</b>		
As at 1 April	915,844	922,147
Additional amounts recognised from business combination occurring during the year	–	2,506
Deregistration of a subsidiary	–	(333)
Exchange realignment	<u>(7,987)</u>	<u>(8,476)</u>
	<u>907,857</u>	<u>915,844</u>
<b>Accumulated impairment losses</b>		
As at 1 April	820,636	785,524
Impairment loss recognised during the year	–	35,459
Deregistration of a subsidiary	–	(333)
Exchange realignment	<u>–</u>	<u>(14)</u>
	<u>820,636</u>	<u>820,636</u>
<b>Carrying amounts</b>	<u>87,221</u>	<u>95,208</u>

Goodwill arising on an acquisition of Mingxi County Trading Company Limited<sup>#</sup> (明溪縣佳維貿易有限公司) is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

<sup>#</sup> *English translations of official Chinese names are for identification purpose only.*

## 11. Trade and other receivables and deposits

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade receivables, net ( <i>Note</i> )	9,992	20,020
Prepayments and deposits paid	19,577	29,737
Other receivables	7,864	11,204
	<u>37,433</u>	<u>60,961</u>
<i>Less: Impairment loss recognised in respect of other receivables</i>	<u>(2,188)</u>	<u>(2,188)</u>
	<u><u>35,245</u></u>	<u><u>58,773</u></u>

### *Note:*

Payment terms with customers from the pharmaceutical wholesale and distribution 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 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0 to 90 days	12,748	21,070
91 to 180 days	1,634	1,254
181 to 365 days	1,718	3,290
Over 365 days	5,408	6,132
	<u>21,508</u>	<u>31,746</u>
<i>Less: Allowance for credit losses (HKFRS 9)</i>	<u>(11,516)</u>	<u>(11,726)</u>
	<u><u>9,992</u></u>	<u><u>20,020</u></u>

## 12. Share capital

	Number of shares	Nominal value of ordinary shares HK\$'000
<i>Authorised:</i>		
At 1 April 2017, 31 March 2018, 1 April 2018, 31 March 2019 and 30 September 2019 ordinary share of HK\$0.01 per share	2,000,000,000	20,000
<i>Issued and fully paid:</i>		
At 1 April 2017, 31 March 2018, 1 April 2018, 31 March 2019 ordinary share of HK\$0.01 per share	778,086,300	7,781
Issue of new shares ( <i>Note</i> )	155,617,260	1,556
At 30 September 2019	933,703,560	9,337

### *Note:*

On 23 August 2019, the Company and the placing agent (“**Placing Agent**”) entered into the placing agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent to 155,617,260 placing shares and whose ultimate beneficial owners shall be independent Third Parties at a price of HK\$0.054 per placing share. The gross proceeds from the placing was approximately HK\$8,403,000 and the net proceeds was approximately HK\$7,973,000. The placing was completed on 12 September 2019.

## 13. Trade and other payables

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Trade payables ( <i>Note</i> )	14,597	21,168
Accruals and other payables	10,374	5,871
Contract liabilities	788	1,197
	<b>25,759</b>	<b>28,236</b>

Note:

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 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
0 to 90 days	5,743	6,588
91 to 180 days	94	99
181 to 365 days	1,071	3,080
Over 365 days	7,689	11,401
	<u>14,597</u>	<u>21,168</u>

#### 14. Amounts due to a directors and shareholders

Amounts dues to a director and shareholders are unsecured, 5% interest rate per annum and repayable on demand. The related party is the spouse of the executive Director Mr. Wang Jia Jun ("Mr. Wang").

#### 15. Other borrowings

	30 September 2019 HK\$'000 (Unaudited)	31 March 2019 HK\$'000 (Audited)
Carrying amount repayable within one year:		
Secured loan repayable within one year (Note i)	60,000	60,000
Unsecured loans repayable within one year (Note ii)	7,100	–
	<u>67,100</u>	<u>60,000</u>

Notes:

- (i) On 28 November 2017, the Company as borrower entered into a loan agreement with an independent third party (the "Lender") for a loan in the principal amount of HK\$100,000,000 (the "Loan") for a term of 3 months with an option to renew for another 3 months after the maturity of the Loan. On 28 February 2018, the Company exercised the renewal option and the Lender agreed to the extension of the Loan to another 3 months to 28 May 2018. On 27 June 2018, the Lender and the Company agreed to further extend the repayment date of the Loan to 28 May 2019. On 7 May 2019, the Company and the Lender entered into a supplemental loan agreement pursuant to which the Repayment Date of the Loan be extended to 28 June 2020.



The Loan is secured by the Debenture. The interest rate of the Loan was (i) 3.9% per month for the first month after drawing of the Loan; (ii) 1.8% per month for the second month after drawing of the Loan; (iii) 1.25% per month for the third month after drawing of the Loan; and (iv) 1.25% per month for the fourth month to the sixth month after drawing of the Loan and until the repayment of the Loan as renewed (i.e. 28 May 2019). After the reporting period, HK\$40 million was repaid on 14 November 2018. The outstanding Loan amount is HK\$60 million at the end of the reporting period.

- (ii) The loans are unsecured, 5% per annum and repayable on demand.

## 16. Dividend

The Board does not recommend the payment of an interim dividend for the Period (2018: Nil).

## 17. Related party/connected parties transaction

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 Directors and other members of key management during the period were as follows:

	<b>Six months ended</b>	
	<b>30 September</b>	
	<b>2019</b>	2018
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Salaries, allowances and benefits in kind	<b>1,260</b>	842
Provident fund contributions	<b>18</b>	18
Total compensation paid to key management personnel	<b><u>1,278</u></b>	<u>860</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	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Rental expenses paid to the mother of Ms. Yung Ka Lai (“Ms. Yung”) (Note)	<u>58</u>	<u>38</u>
Rental expenses paid to Fujian Jiarui Pharmaceutical Chain Company Limited which is 50% owned by the cousin of Ms. Yung (Note)	<u>–</u>	<u>288</u>

Note: Ms. Yung was the former director of the Company and the spouse of Mr. Wang.

The Group had entered into a number of transactions with connected parties which, upon the listing of shares on the Stock Exchange, became connected persons of the Company under the listing Rules. These transactions are continuing transactions exempt from the independent shareholder’s approval requirements under the Listing Rules.

**18. Comparative figures**

Certain comparative figures were reclassified to conform with the current Period’s presentation.

**19. Approval of the condensed consolidated interim financial statements**

The condensed consolidated interim financial statements were approved and authorised for issue by the Board on 25 November 2019.

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

The Company is an investment holding company and the Group is principally engaged in the pharmaceutical wholesale and distribution business (the “**Wholesale Business**”) and the hemodialysis treatment and consultancy service business (the “**Hemodialysis Business**”) in the People’s Republic of China (the “**PRC**”).

### *Wholesale Business*

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 in the PRC. 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.

### *Hemodialysis Business*

To diversify the Group’s business, the Group had acquired a new business which is engaged in the Hemodialysis Business through Mingxi County Trading Company Limited# (明溪縣佳維貿易有限公司) in March 2017. In respect of the Hemodialysis Business, the Group currently operates jointly-operated hemodialysis treatment centers under co-operations contracts and owns several self-operated hemodialysis treatment centers.

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

## Outlook and Prospect

The medical reform policy implemented in 2017 in the PRC controlled the pharmaceutical costs in public hospitals in Fujian Province and had reduced the overall size of the Wholesale Business, thereby causing adverse impact on the operation and performance of the Group. Since the business environment changed as a result of the government policy, the Group decided to allocate more resources in developing the Hemodialysis Business. The Group believes that the demand for Hemodialysis Business in the PRC is strong and it offers ample opportunity for growth and development. Thus, the Group will continue its strategy to transform by utilising its experience and strength in the healthcare sector from the Wholesale Business to the Hemodialysis Business.

Looking forward, the Group will primarily focus on the establishment of more new self-operated hemodialysis treatment centres in the PRC so as to expand its operating scale and gain market share. At the same time, the Group will continue to pay attention to different investment opportunities, identify appropriate businesses and projects for shareholders and increase shareholder returns.

## Interim Dividend

The Board has resolved not declare any interim dividend for the Period (2018: Nil).

# FINANCIAL REVIEW

## Revenue

For the Period, the revenue of the Group was approximately HK\$51.441 million, representing an increase of approximately HK\$3.787 million or 7.95% when compared with the same period in 2018. The increase in revenue was mainly generated from the Hemodialysis Business.

For the Period, the Group's revenue from the Wholesale Business was approximately HK\$39.784 million, representing a drop of approximately HK\$4.13 million or 9.40% when compared with the same period in 2018. The drop was mainly due to the slowdown in demand of pharmaceutical products from public hospitals in the Fujian Province.

For the Period, the Group's revenue from the Hemodialysis Business was approximately HK\$11.657 million, representing an increase of approximately HK\$7.917 million or 211.68% when compared with the same period in 2018. The increase was mainly attributable to the increasing number of patients admitted to our treatment centres and strengthening demand for our service.

## **Gross Profit Margin**

For the Period and the same period in 2018, the Group's gross profit margins were approximately 23.71% and approximately 13.33% respectively. The increase was mainly attributable to the effective cost control with the Hemodialysis Business.

## **Other Revenue and Income**

For the Period, the Group's other revenue and income was approximately HK\$0.202 million, representing an increase of approximately HK\$0.470 million or 175.37% when compared with the same period in 2018. The increase was mainly due to the decrease in bank interest and government grants.

## **Selling and Distribution Costs**

For the Period, the Group's selling and distribution costs were approximately HK\$8.344 million, representing an increase of approximately HK\$6.411 million or 331.66% when compared with the same period in 2018. The increase was mainly due to the increase of marketing and promotional expenses in the Hemodialysis Business.

## **Administrative Expenses**

For the Period, the Group's administrative expenses were approximately HK\$7.607 million, representing a decrease of approximately HK\$2.168 million or 22.18% when compared with the same period in 2018. The decrease was mainly due to the effective cost control on human resource management.

## **Finance Costs**

For the Period, the Group's finance costs were approximately HK\$7.775 million, representing an increase of approximately HK\$0.222 million or 2.94% when compared with the same period in 2018. The increase was mainly due to higher interest rate with short term unsecured loans borrowed during the Period.

## **Taxation**

During the Period, the Group's taxation expenses were approximately HK\$0.308 million, due to an provision of income tax expenses for the Hemodialysis Business.

## **Net Loss**

During the Period, the Group's net loss attributable to the owner of the Company was approximately HK\$11.637 million, representing a decrease of approximately 79.64% when compared with the same period in 2018. The significant decline was mainly due to the decrease in the administrative expenses and no impairment of goodwill.

## **Total Comprehensive Loss**

For the Period, the Group's total comprehensive loss attributable to the owners of the Company was approximately HK\$31.239 million, representing a decrease of approximately 62.20% when compared with the same period in 2018. The decrease was mainly due to no impairment of goodwill during the Period.

## **Capital Expenditure**

The Group's capital expenditure requirements mainly relate to additions of its property, plant and equipments for the operation of hemodialysis treatment centres. The Group spent approximately HK\$3.858 million on property, plant and equipment during the Period.

## **Liquidity and Financial Resources**

The Group had total cash and cash equivalents of approximately HK\$28.074 million as at 30 September 2019 (31 March 2019: approximately HK\$28.816 million).

The Group recorded total current assets of approximately HK\$72.490 million as at 30 September 2019 (31 March 2018: approximately HK\$98.509 million) and total current liabilities of approximately HK\$116.905 million as at 30 September 2019 (31 March 2019: approximately HK\$91.494 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 0.62 as at 30 September 2019 (31 March 2019: approximately 1.077).

Gearing ratio (borrowings net of cash and cash equivalent, over equity attributable to owners of the Company) as at 30 September 2019 was approximately 40.58% (31 March 2019: approximately 36.71%).

## Contingent Liabilities

As at 30 September 2019, 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 to be pending or threatened against any member of the Group (31 March 2019: 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 2019.

## Material Acquisitions and Disposals

On 21 February 2019, Hui Hao (HK) Group Limited (the “**HK Company**”), Fuzhou Ren An Medical Technology Limited (the “**PRC Minority Shareholder**”) and Fujian Province Fuzhou City Huihao Pharmaceutical Co. Ltd. (the “**Target Company**”) entered into the capital reduction agreement in relation to the reduction of the registered capital of the Target Company by RMB20 million, representing approximately 21.86% of existing registered capital of the Target Company, of which RMB715,000 will be reduced from the registered capital owned by the HK Company and RMB19,285,000 will be reduced from the registered capital owned by the PRC Minority Shareholder. The capital reduction agreement was completed on 23 April 2019. The Target Company remains as a subsidiary of the Company and the PRC Minority Shareholder ceased to be a substantial shareholder of the Target Company. The financial results of the Target Group continue to be consolidated in the consolidated financial statements of the Group following the completion.

## Charges on the Group's Assets

As at 30 September 2019, the Group charged to the Lender of other borrowing by way of first floating charge all its undertaking, property, assets, goodwill, rights and revenues, whatsoever and whosoever, both present and future, including all book and other debts now and from time to time due or owing to the Company, the uncalled capital, goodwill and all intellectual properties and intellectual property rights, patents, patent applications, trademarks, service marks, trade names, registered designs, copyrights, licenses and ancillary and connected rights both present and future of the Company so that the charge hereby created shall be a continuing security by way of first floating.

For more details of the charges, please refer to Note 15 and the Company's announcement dated 28 November 2017, 28 February 2018, 27 June 2018 and 8 May 2019.

## Capital Commitments

Capital commitments at each of the end of the reporting date contracted but not provided for in the consolidated financial statements were as follows:

	<b>30 September 2019 HK\$'000 (Unaudited)</b>	31 March 2019 HK\$'000 (Audited)
Commitments for the construction contract for leasehold improvement	4,115	5,732
Commitments for the sales and purchases agreement for plant and machinery	<u>9,795</u>	<u>–</u>

## Employee Information

As at 30 September 2019, the Group had 125 (31 March 2019: 102) full time employees. During the six months ended 30 September 2019, the staff costs, including Directors' remuneration, totalled approximately HK\$6.467 million (six months ended 30 September 2018: approximately HK\$26.555 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.



## OTHER INFORMATION

### 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 2019, 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
Mr. Wang Jia Jun	Corporate interest Interest of spouse (Note)	17,601,475	Long	1.89%

Note: Mr. Wang Jia Jun is interested in the Company's shares through Power King Investment Development Limited which is held by his wife, Ms. Yung Ka Lai.

Name of director	Nature of interests	Number of shares	Position	Approximate percentage of the total issued shares
<b>ii) Shares Options</b>				
Mr. Chen Jinshan	Beneficial owner	6,400,000	Long	0.69%
Mr. Wang Jia Jun	Beneficial owner	6,400,000	Long	0.69%
Mr. Wong Hon Kit	Beneficial owner	200,000	Long	0.02%
Dr. Liu Yongping	Beneficial owner	200,000	Long	0.02%
Mr. Ho Man	Beneficial owner	200,000	Long	0.02%

The details of the Directors' personal interest in the underlying shares of the Company in respect of share options granted by the Company are stated in the following section "Share Options Granted to Directors and Employees".

Save as disclosed above, as at 30 September 2019, 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.

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

As at 30 September 2019, 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
New Hope International (Hong Kong) Limited <i>(Note)</i>	Beneficial owner	Long	54,914,804	5.88%
Southern Hope Enterprise Company Limited <i>(Note)</i>	Corporate interest	Long	54,914,804	5.88%
New Hope Group Company Limited <i>(Note)</i>	Corporate interest	Long	54,914,804	5.88%
Tibet Hengye Feng Industrial Company Limited <i>(Note)</i>	Corporate interest	Long	54,914,804	5.88%
Mr. Liu Yonghao <i>(Note)</i>	Corporate interest	Long	54,914,804	5.88%
Ms. Liu Chang <i>(Note)</i>	Corporate interest	Long	54,914,804	5.88%
Ms. Li Wei <i>(Note)</i>	Interest of spouse	Long	54,914,804	5.88%

*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.

On 26 October 2018, the Company, in accordance with the Share Option Scheme, granted an aggregate of 64,840,000 share options to the Participants, to subscribe, in aggregate, for up to 64,840,000 ordinary shares of HK\$0.01 each in the share capital of the Company, representing approximately 10% of the shares of the Company in issue at that date. During the period ended 30 September 2019, no share options have been granted by the Company since the Share Option Scheme was adopted.

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

During the six month ended 30 September 2019, 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 2019.

## 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 2019.

## 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 three independent non-executive Directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Ho Man. 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. Ho Man.

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. Ho Man. 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 2019 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.



## PUBLICATION OF UNAUDITED INTERIM REPORT

The interim report is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.wanjia-gp.com](http://www.wanjia-gp.com)) respectively.

By order of the Board  
**Wanjia Group Holdings Limited**  
**Wang Jia Jun**  
*Executive Director*

Hong Kong, 25 November 2019