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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2022

FINANCIAL HIGHLIGHTS

Summary of the results of the Group for the financial year ended 31 March 2022 is as follows:

- Total revenue was approximately HK\$154.823 million (2021: approximately HK\$114.086 million), representing an increase of approximately 35.71% over 2021.
- Gross profit was approximately HK\$54.234 million (2021: approximately HK\$41.336 million), representing an increase of approximately 31.20% over 2021.
- Loss from operations was approximately HK\$47.383 million (2021: approximately HK\$2.089 million).
- Loss for the year attributable to owners of the Company was approximately HK\$50.999 million (2021: approximately HK\$4.536 million). The loss was mainly due to the impairment loss on goodwill of approximately HK\$46.630 million (2021: Nil)
- The basic and diluted loss per share was approximately HK\$9.10 cents (2021: approximately HK\$0.81 cents).
- The Group had total cash and cash equivalents of approximately HK\$5.768 million as at 31 March 2022 (2021: approximately HK\$25.099 million).
- The Board does not recommend the payment of a final dividend for the year ended 31 March 2022 (2021: Nil).

ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of Wanjia Group Holdings Limited (the “**Company**”) hereby announces the consolidated results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 March 2022 together with the comparative figures for the previous financial year, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2022

| | | 2022 | 2021 |
|---|--------------|------------------------|-----------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Revenue | 5 | 154,823 | 114,086 |
| Cost of sales | | <u>(100,589)</u> | <u>(72,750)</u> |
| Gross profit | | 54,234 | 41,336 |
| Other revenue | 6 | 50 | 597 |
| Other gain and loss, net | 7 | – | (102) |
| Provision of allowance for expected credit losses on trade and other receivables and deposits, net | | (3,187) | (2,409) |
| Impairment loss on goodwill | | (46,630) | – |
| Selling and distribution expenses | | (29,600) | (24,987) |
| Administrative expenses | | <u>(22,250)</u> | <u>(16,524)</u> |
| Loss from operations | 8 | (47,383) | (2,089) |
| Finance costs | 9 | (1,308) | (1,338) |
| Loss before taxation | | (48,691) | (3,427) |
| Taxation | 10 | (2,246) | (1,050) |
| Loss for the year | | (50,937) | (4,477) |
| Other comprehensive income for the year | | | |
| <i>Items that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translating of foreign operations | | <u>7,872</u> | <u>15,490</u> |
| Other comprehensive income for the year | | <u>7,872</u> | <u>15,490</u> |
| Total comprehensive (loss)/income for the year | | <u>(43,065)</u> | <u>11,013</u> |

| | | 2022 | 2021 |
|--|--------------|------------------------|-----------------------|
| | <i>Notes</i> | <i>HK\$'000</i> | <i>HK\$'000</i> |
| (Loss)/profit for the year attributable to: | | | |
| Owners of the Company | | (50,999) | (4,536) |
| Non-controlling interests | | <u>62</u> | <u>59</u> |
| | | <u>(50,937)</u> | <u>(4,477)</u> |
| Total comprehensive (loss)/income | | | |
| for the year attributable to: | | | |
| Owners of the Company | | (43,216) | 10,797 |
| Non-controlling interests | | <u>151</u> | <u>216</u> |
| | | <u>(43,065)</u> | <u>11,013</u> |
| Loss per share attributable to owners | | | |
| of the Company: | | | |
| – Basic and diluted (HK cents per share) | <i>12</i> | <u>(9.10)</u> | <u>(0.81)</u> |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2022

| | <i>Notes</i> | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|--------------|--------------------------------|-------------------------|
| Non-current assets | | | |
| Property, plant and equipment | | 38,380 | 39,444 |
| Right-of-use assets | | 18,871 | 20,660 |
| Goodwill | <i>13</i> | 53,024 | 96,500 |
| Deposit paid for property, plant and equipment | | 90 | 471 |
| | | <u>110,365</u> | <u>157,075</u> |
| Current assets | | | |
| Inventories | | 14,651 | 9,587 |
| Trade and other receivables and deposits | <i>14</i> | 61,034 | 31,826 |
| Cash and cash equivalents | | 5,768 | 25,099 |
| | | <u>81,453</u> | <u>66,512</u> |
| Current liabilities | | | |
| Trade and other payables | <i>15</i> | 37,730 | 20,832 |
| Lease liabilities | | 2,732 | 2,528 |
| Amount due to a director | | 3,500 | 7,050 |
| Amount due to a shareholder | | – | 1,200 |
| Tax payables | | 1,506 | 1,306 |
| | | <u>45,468</u> | <u>32,916</u> |
| Net current assets | | <u>35,985</u> | <u>33,596</u> |
| Total assets less current liabilities | | <u>146,350</u> | <u>190,671</u> |
| Non-current liabilities | | | |
| Lease liabilities | | <u>18,254</u> | <u>19,596</u> |
| Net assets | | <u>128,096</u> | <u>171,075</u> |

| | 2022 | 2021 |
|--|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Capital and reserves | | |
| Share capital | 28,011 | 28,011 |
| Reserves | 98,168 | 141,298 |
| | <hr/> | <hr/> |
| Equity attributable to owners of the Company | 126,179 | 169,309 |
| Non-controlling interests | 1,917 | 1,766 |
| | <hr/> | <hr/> |
| Total equity | 128,096 | 171,075 |
| | <hr/> <hr/> | <hr/> <hr/> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 March 2022

1. GENERAL INFORMATION

The Company was incorporated as an exempted Company with limited liabilities in the Cayman Islands. The Company's immediate holding company and ultimate holding company is Power King Investment Development Limited, a company incorporated in British Virgin Islands (the "BVI") and the Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is located at Suite 1801, 18/F, Tower 1, The Gateway, Harbour City, 25 Canton Road, Kowloon, Hong Kong.

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 People's Republic of China (the "PRC").

The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the same as functional currency of the Company, and the functional currency of the most of the subsidiaries are Renminbi ("RMB"). The Board of Directors considered that it is more appropriate to present the consolidated financial statements in HK\$ as the shares of the Company are listed on the Stock Exchange. The consolidated financial statements are rounded to the nearest thousands (HK\$'000), unless otherwise stated.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), for the first time, which are mandatorily effective for the Group's annual periods beginning on 1 April 2021 for the preparation of the consolidated financial statements:

| | |
|---|---|
| Amendment to HKFRS16 | COVID-19-Related Rent Concessions |
| Amendment to HKFRS16 | COVID-19-Related Rent Concessions beyond 30 June 2021 |
| Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16 | Interest Rate Benchmark Reform – Phase 2 |

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the “Committee”) of the International Accounting Standards Board issued in June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The application of the amendment to HKFRSs in the current year has no material impact on the Group’s financial positions and performance for the current and prior year and/or on the disclosures set out in the consolidated financial statements.

New and amendments to HKFRSs issued but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

| | |
|--|--|
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) ² |
| HKAS 1 (Amendments) and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ² |
| HKAS 8 (Amendments) | Definition of Accounting Estimates ² |
| HKAS 12 (Amendments) | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ² |
| HKAS 16 (Amendments) | Property, Plant and Equipment – Proceeds before Intended Use ¹ |
| HKAS 37 (Amendments) | Onerous Contracts – Cost of Fulfilling a Contract ¹ |
| HKFRSs (Amendments) | Annual Improvements to HKFRSs 2018 – 2020 ¹ |
| HKFRS 3 (Amendments) | Reference to the Conceptual Framework ¹ |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| HKFRS 17 | Insurance Contracts and the related Amendments ² |

¹ Effective for annual periods beginning on or after 1 January 2022.

² Effective for annual periods beginning on or after 1 January 2023.

³ Effective for annual periods beginning on or after a date to be determined.

The directors anticipate that the application of all new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

Basic of preparation of consolidated financial statements

These consolidated financial statements have been prepared in accordance with HKFRSs issued by HKICPA. For the purpose of preparation of the consolidated financial statements information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**Listing Rules**”) and by the Hong Kong Companies Ordinance (Chapter 622 of the Law of Hong Kong).

Going concern assessment

The directors of the Company have, at the time of approving the consolidated financial statements, a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the consolidated financial statements.

4. OPERATING SEGMENT

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 basis on which the Group reports its segment information.

Segment revenue and results

For the year ended 31 March 2022

| | Pharmaceutical wholesale and distribution business <i>HK\$'000</i> | Hemodialysis treatment and consultancy service business <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|---|--|---|
| Revenue | | | |
| Revenue from external customers | <u>51,183</u> | <u>103,640</u> | <u>154,823</u> |
| Results | | | |
| Segment results | <u>7</u> | <u>(38,014)</u> | <u>(38,007)</u> |
| Unallocated corporate income and expenses, net | | | <u>(9,376)</u> |
| Loss from operations | | | <u>(47,383)</u> |
| Finance costs | | | <u>(1,308)</u> |
| Loss before taxation | | | <u>(48,691)</u> |
| Taxation | | | <u>(2,246)</u> |
| Loss for the year | | | <u><u>(50,937)</u></u> |

For the year ended 31 March 2021

| | Pharmaceutical wholesale and distribution business <i>HK\$'000</i> | Hemodialysis treatment and consultancy service business <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--|--|---------------------------------|
| Revenue | | | |
| Revenue from external customers | <u>58,771</u> | <u>55,315</u> | <u>114,086</u> |
| Results | | | |
| Segment results | <u>156</u> | <u>7,947</u> | 8,103 |
| Unallocated corporate income and expenses, net | | | <u>(10,192)</u> |
| Loss from operations | | | (2,089) |
| Finance costs | | | <u>(1,338)</u> |
| Loss before taxation | | | (3,427) |
| Taxation | | | <u>(1,050)</u> |
| Loss for the year | | | <u><u>(4,477)</u></u> |

Segment assets and liabilities

For the year ended 31 March 2022

| | Pharmaceutical wholesale and distribution business <i>HK\$'000</i> | Hemodialysis treatment and consultancy service business <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|---|--|---|
| Consolidated statement of financial position | | | |
| Assets | | | |
| Segment assets | 23,701 | 112,610 | 136,311 |
| Goodwill | – | 53,024 | 53,024 |
| Unallocated corporate assets | | | 2,483 |
| Consolidated total assets | | | 191,818 |
| Liabilities | | | |
| Segment liabilities | 8,039 | 49,018 | 57,057 |
| Amount due to a director | | | 3,500 |
| Unallocated corporate liabilities | | | 3,165 |
| Consolidated total liabilities | | | 63,722 |

For the year ended 31 March 2021

| | Pharmaceutical wholesale and distribution business <i>HK\$'000</i> | Hemodialysis treatment and consultancy service business <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--|--|---------------------------------|
| Consolidated statement of financial position | | | |
| Assets | | | |
| Segment assets | 35,985 | 87,479 | 123,464 |
| Goodwill | – | 96,500 | 96,500 |
| Unallocated corporate assets | | | <u>3,623</u> |
| Consolidated total assets | | | <u><u>223,587</u></u> |
| Liabilities | | | |
| Segment liabilities | 7,242 | 26,113 | 33,355 |
| Amount due to a director | | | 7,050 |
| Amount due to a shareholder | | | 1,200 |
| Unallocated corporate liabilities | | | <u>10,907</u> |
| Consolidated total liabilities | | | <u><u>52,512</u></u> |

Other segment assets and liabilities

For the year ended 31 March 2022

| | Pharmaceutical wholesale and distribution business <i>HK\$'000</i> | Hemodialysis treatment and consultancy service business <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|--|---|--|--|---|
| Other information | | | | |
| Capital expenditure (<i>note</i>) | 610 | 7,434 | 9 | 8,053 |
| Depreciation | 685 | 10,649 | 1,409 | 12,743 |
| Provision of allowance for expected credit losses on trade and other receivables and deposits, net | 173 | 3,014 | – | 3,187 |
| Impairment loss on goodwill (<i>note 13</i>) | – | 46,630 | – | 46,630 |
| Finance costs | 40 | 1,199 | 69 | 1,308 |

note:

Capital expenditure consists of additions to property, plant and equipment and right-of-use assets during the year.

For the year ended 31 March 2021

| | Pharmaceutical wholesale and distribution business <i>HK\$'000</i> | Hemodialysis treatment and consultancy service business <i>HK\$'000</i> | Unallocated <i>HK\$'000</i> | Consolidated <i>HK\$'000</i> |
|---|--|--|--------------------------------|---------------------------------|
| Other information | | | | |
| Capital expenditure (<i>note</i>) | 167 | 9,540 | – | 9,707 |
| Depreciation | 800 | 8,040 | 1,407 | 10,247 |
| Loss on disposal of property, plant and equipment | 102 | – | – | 102 |
| Provision/(reversal) of allowance for expected credit losses on trade and other receivables and deposits, net | (210) | 2,619 | – | 2,409 |
| Finance costs | <u>37</u> | <u>1,185</u> | <u>116</u> | <u>1,338</u> |

note:

Capital expenditure consists of additions to property, plant and equipment and right-of-use assets during the year.

Segment results represent the profit or loss generated by each segment without allocation of finance costs and taxation. Unallocated corporate expenses mainly include directors' remuneration and other central administration costs. This is the measure reported to the chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments:

- all assets are allocated to reportable segments other than unallocated corporate assets. Unallocated corporate assets mainly include office equipment, right-of-use assets and cash and cash equivalents of the central administration companies and certain deposits and other receivables.
- all liabilities are allocated to reportable segments other than, amount due to directors, amount due to a shareholder, lease liabilities and certain other payables and accrual expenses of certain administrative costs.

Geographical information

The Group operates in two principal areas – pharmaceutical wholesale and distribution business, and hemodialysis treatment and consultancy service business in the PRC and administrative activity operates in Hong Kong.

The Group's revenue is solely generated from external customers in the PRC.

The following is an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located:

| | Carrying amount of non-current assets | |
|-----------|--|-----------------------|
| | 2022 | 2021 |
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Hong Kong | 1,428 | 2,828 |
| PRC | <u>108,937</u> | <u>154,247</u> |
| | <u><u>110,365</u></u> | <u><u>157,075</u></u> |

Information about major customers

Revenue from customers over 10% of the Group's total revenue are as follows:

| | 2022 | 2021 |
|------------|------------------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Customer A | 17,191 | 18,282 |
| Customer B | <u>N/A*</u> | <u>15,259</u> |

Customer A and customer B are both relating to pharmaceutical wholesale and distribution business.

* The corresponding revenue did not contribute over 10% of the total revenue of the Group in 2022.

5. REVENUE

An analysis of the Group's revenue for the year is as follows:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--|-------------------------|-------------------------|
| <i>Revenue from contract with customers recognised at a point in time:</i> | | |
| Wholesale and distribution of pharmaceutical and related products | 51,183 | 58,771 |
| Provision of hemodialysis treatment and consultancy services | <u>103,640</u> | <u>55,315</u> |
| | <u>154,823</u> | <u>114,086</u> |

All revenue contracts are for one year or less. As permitted by practical expedient under HKFRS 15, the transaction price allocated to unsatisfied contracts is not disclosed.

6. OTHER REVENUE

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|--------------------------------------|-------------------------|-------------------------|
| Interest income | 46 | 92 |
| Government subsidies (<i>note</i>) | – | 486 |
| Sundry income | <u>4</u> | <u>19</u> |
| | <u>50</u> | <u>597</u> |

note:

During the year ended 31 March 2021, the Group successfully applied for funding support from the Employment Support Scheme set up by the Government of the Hong Kong Special Administrative Region, the purpose of which is to provide financial support to enterprises and to retain their employees who would otherwise be made redundant. Under the terms of the Employment Support Scheme, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to its employees. During the year ended 31 March 2022, no such funding support was received.

7. OTHER GAIN AND LOSS, NET

| | 2022 | 2021 |
|---|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Loss on disposal of property, plant and equipment | <u>–</u> | <u>(102)</u> |

8. LOSS FROM OPERATIONS

The Group's loss for the year from operations is arrived at after charging:

| | 2022 | 2021 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Staff costs: | | |
| Employee benefits expense (including directors' emoluments) | | |
| Salaries and allowances | 18,012 | 17,828 |
| Retirement scheme contributions | 1,149 | 854 |
| Share-based payment | <u>86</u> | <u>1,727</u> |
| | <u>19,247</u> | <u>20,409</u> |
| Other items: | | |
| Depreciation of property, plant and equipment | 9,451 | 7,180 |
| Depreciation of right-of-use assets | 3,292 | 3,067 |
| Auditors' remuneration | | |
| – audit services | 757 | 744 |
| Cost of inventories sold | 94,002 | 67,173 |
| Provision of allowance for expected credit losses on trade and other receivables and deposits, net | 3,187 | 2,409 |
| Impairment loss on goodwill | 46,630 | – |
| Expenses relating to short-term lease | <u>358</u> | <u>316</u> |

9. FINANCE COSTS

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---------------------|-------------------------|-------------------------|
| Interest on: | | |
| – Lease liabilities | <u>1,308</u> | <u>1,338</u> |

10. TAXATION

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-----------------------------|-------------------------|-------------------------|
| Current tax: | | |
| – PRC Enterprise Income Tax | <u>2,246</u> | <u>1,050</u> |

The Group is subject to income tax on an entity basis on profits arising or derived from the jurisdictions in which members of the Group are domiciled and operated.

Provision on profits assessable elsewhere has been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretations and practices in respect thereof.

11. DIVIDENDS

The directors of the Company do not recommend the payment of any dividend for the year ended 31 March 2022 (2021: Nil).

12. LOSS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

(a) *Basic loss per share*

The calculation of the basic loss per share are based on loss attributable to the owners of the Company and the weighted average number ordinary shares in issue during the year as follows:

Loss for the year

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Loss for the year attributable to owners of the Company | <u>(50,999)</u> | <u>(4,536)</u> |

Number of shares

| | 2022 | 2021 |
|--|--------------------|--------------------|
| Weighted average number of ordinary shares | <u>560,222,136</u> | <u>560,222,136</u> |

(b) Diluted loss per share

For the year ended 31 March 2022 and 2021, the computation of diluted loss per share does not include the Company's outstanding share options because the effect were anti-dilutive. Therefore, the diluted loss per share of the Company is the same as the basic loss per share.

13. GOODWILL

| | 2022 | 2021 |
|--|-----------------|-----------------|
| | <i>HK\$'000</i> | <i>HK\$'000</i> |
| Cost | | |
| At 1 April | 917,617 | 907,336 |
| Exchange realignment | <u>5,474</u> | <u>10,281</u> |
| At 31 March | <u>923,091</u> | <u>917,617</u> |
| Accumulated impairment losses | | |
| At 1 April | 821,117 | 818,326 |
| Impairment loss recognised during the year | 46,630 | – |
| Exchange realignment | <u>2,320</u> | <u>2,791</u> |
| At 31 March | <u>870,067</u> | <u>821,117</u> |
| Carrying amounts | | |
| At 31 March | <u>53,024</u> | <u>96,500</u> |

14. TRADE RECEIVABLES

As at 31 March 2022, included in trade and other receivables and deposits, the trade receivables were approximately HK\$62,697,000 (2021: HK\$24,771,000) net of allowance of credit losses of approximately HK\$13,829,000 (2021: HK\$9,835,000).

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|---|-------------------------|-------------------------|
| Trade receivables | 62,697 | 24,771 |
| Less: Allowance for expected credit losses on trade receivables | <u>(13,829)</u> | <u>(9,835)</u> |
| | <u>48,868</u> | <u>14,936</u> |

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 (2021: 30 to 90 days) for pharmaceutical wholesale and distribution business and 5 to 365 days (2021: 5 to 365 days) for hemodialysis treatment and consultancy service business respectively of issuance of invoices. The ageing analysis of the gross amount of trade receivables based on the invoices date is as follows:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-----------------|-------------------------|-------------------------|
| Within 90 days | 32,048 | 13,340 |
| 91 to 180 days | 15,051 | 1,888 |
| 181 to 365 days | 7,624 | 3,245 |
| Over 365 days | <u>7,974</u> | <u>6,298</u> |
| | <u>62,697</u> | <u>24,771</u> |

15. TRADE PAYABLES

As at 31 March 2022, included in trade and other payables, the trade payables were approximately HK\$32,460,000 (2021: HK\$8,428,000).

The ageing analysis of trade payables of the Group presented based on the invoice date is as follows:

| | 2022 <i>HK\$'000</i> | 2021 <i>HK\$'000</i> |
|-----------------|--------------------------------|-------------------------|
| Within 90 days | 18,007 | 3,218 |
| 91 to 180 days | 5,554 | 556 |
| 181 to 365 days | 3,658 | 499 |
| Over 365 days | 5,241 | 4,155 |
| | <u>32,460</u> | <u>8,428</u> |

The average credit period on purchases of certain goods in range from 30 to 90 days (2021: 30 to 90 days).

16. EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events requiring disclosure that has taken place subsequent to 31 March 2022 and up to the date of this announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company is an investment holdings company and the Group is engaged in the business on pharmaceutical wholesale and distribution business, and hemodialysis treatment and consultancy service business in the PRC.

2021 and 2022 were not like any other years, the COVID-19 pandemic has made it challenging for everyone but we are proud to see total revenue of the Group for the year was approximately HK\$154.823 million, representing an increase of approximately HK\$40.737 million as compared to 2021. The gross profit was approximately HK\$54.234 million, representing an increase of approximately HK\$12.898 million as compared to 2021. The loss for the year attributable to the owners of the Company was approximately HK\$50.999 million mainly due to the impairment loss on goodwill in the amount of approximately HK\$46.630 million.

Total revenue contributed by the hemodialysis treatment and consultancy service business for the year ended 31 March 2022 was approximately HK\$103.640 million, representing a significant increase of 87.36% as compared to 2021. All employees of the Group spared no effort to actively implement and complete all development goals under the leadership of the Board and the management team, we are proud to see a significant growth rate in this business segment during the year.

Total revenue generated from pharmaceutical wholesale and distribution business for the year ended 31 March 2022 was approximately HK\$51.183 million, representing a decrease of approximately 12.91% as compared to 2021.

In 2022, the on-going COVID-19 crisis in the PRC may continue to bring uncertainties in the Group's operating environment. As far as the Group's businesses are concerned, the recent tightening measures implemented by the local government in Guangdong and Fujian Provinces, the PRC have caused an increase in medical material costs, transportation and related costs.

Segment information

During the year, the revenue of the Group was principally generated from: (1) pharmaceutical wholesale and distribution business and (2) hemodialysis treatment and consultancy service business in the PRC. Financial information in respect of these operations is presented in Note 4.

1) *Pharmaceutical wholesale and distribution 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. Our customers can be categorized into three types namely hospitals and healthcare institutions and end customers such as companies operating pharmaceutical retail chain stores, independent pharmacies, and outpatient departments of community hospitals, healthcare service stations and clinics.

In the early part of 2019, the medical reform policy further controlled the pharmaceutical costs in public hospitals in Fujian Province which reduced the overall size of the pharmaceutical distribution business in public hospitals. In addition, the distribution policy broke the original rules that essential medicines in public hospitals in Fujian Province were only distributed by 10 wholesale companies, thereby causing material adverse impact in the operation and its overall performance of the Group in pharmaceutical wholesale and distribution business. As a result, revenue from this segment was approximately HK\$51.183 million (2021: approximately HK\$58.771 million), representing an approximately 12.91% decrease. Gain from this business segment was approximately HK\$0.007 million (2021: Gain approximately HK\$0.156 million).

2) *Hemodialysis treatment and consultancy service business*

In respect of the hemodialysis treatment business, the Group currently operates several jointly-operated hemodialysis treatment centres under co-operations contracts and self-operated hemodialysis treatment centres spread across the Guangdong and Fujian Provinces, PRC. In addition, the Group signed a 10 years service contract with Zhuhai Jiulong Hospital Company Limited[#] (珠海九龍醫院有限公司) in March 2020 for providing hemodialysis treatment and consultancy service business to the hospital. During the year ended 31 March 2022, the revenue from this segment was approximately HK\$103.640 million (2021: approximately HK\$55.315 million), representing an significant increase of approximately 87.36%. Loss from this business segment was approximately HK\$38.014 million (2021: Gain approximately HK\$7.947 million).

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

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2022, the Group's revenue from the operating segment had increased considerably. For the year ended 31 March 2022, revenue was approximately HK\$154.823 million (2021: approximately HK\$114.086 million), accounting for an increase of approximately 35.71% as compared to 2021. The increase of revenue was generated from the hemodialysis treatment and consultancy services in the PRC.

Other revenue

Other revenue, primarily including sundry income and bank interest income amounted to approximately HK\$0.05 million (2021: approximately HK\$0.597 million) for the year ended 31 March 2022.

Selling and distribution expenses

For the year ended 31 March 2022, selling and distribution expenses amounted to approximately HK\$29.600 million (2021: approximately HK\$24.987 million), representing an increase of approximately 18.46% as compared to 2021. The increase in the selling and distribution expenses was due to the increase of employee benefits, medical material costs, transportation and related costs.

Administrative expenses

Administrative expenses for the year ended 31 March 2022 amounted to approximately HK\$22.250 million (2021: approximately HK\$16.524 million). The increase has arisen from the first full year of operation of a hemodialysis treatment centre in the Guangdong Province, the PRC.

Finance costs

For the year ended 31 March 2022, the finance costs of the Group were approximately HK\$1.308 million (2021: approximately HK\$1.338 million), representing a slight decrease of approximately 2.24% as compared to 2021.

Impairment losses recognised in goodwill, property, plant and equipment and right-of-use assets

In 2022, the management has performed an impairment assessment of goodwill, property, plant and equipment and right-of use assets of the Group. There was impairment loss on goodwill approximately HK\$46.630 million. The recoverable amount of the cash generating unit is determined based on a discounted pre-tax cash flow projections, prepared in accordance with the financial budgets approved by management covering a five-year period.

Loss for the year attributable to owners of the Company

The Group had recorded loss for the year attributable to owners of the Company of approximately HK\$50.999 million for the year ended 31 March 2022 (2021: approximately HK\$4.536 million).

The significant increase in loss for the year attributable to owners of the Company was mainly attributable to the impairment loss on goodwill of approximately HK\$46.630 million for the year ended 31 March 2022 (2021: Nil).

The loss increase was mainly attributable to, among others, the following reasons:

- (a) increase in cost of sales and selling and distribution expenses due to the COVID-19 pandemic in the affected areas in the PRC where, the local government imposed various measures, including restrictions on business activities to prevent new COVID-19 variant outbreak in the early 2022 and adversely affected the Group's overall profitability in pharmaceutical distribution and hemodialysis services; and
- (b) the provision of impairment loss on goodwill (the "**Impairment**") for the year ended 31 March 2022. The Impairment was primarily attributable to (i) temporary halt of business cooperation with a jointly-operated hemodialysis treatment centre located in Fujian Province, the PRC in early 2022; and (ii) delay in the business plan in respect of the opening of two self-operated hemodialysis treatment centres in 2022 in the Guangdong Province, the PRC, of which the delay in enrolment of medical insurance list and the opposition of the local villagers for the opening of the hemodialysis treatment centre close to their vicinity. The Group is currently in negotiation with the villagers to resolve the matter. The Impairment is a non-cash item and has no effect on the Group's daily operations and cash flow.

OUTLOOK AND FUTURE PROSPECTS

The Group will centralise its resources in developing the hemodialysis treatment and consultancy service business. The Group will look to further develop its hemodialysis treatment and consultancy service business through organic growth and acquisitions.

Looking forward, the Group will focus on developing such segment through establishment of new self-operated hemodialysis treatment centres and provide hemodialysis consultancy service to hospitals in the PRC so as to expand its operating scale and further penetrate in the market.

The Group believes that the demand for hemodialysis treatment services in the PRC market is still far from being met and has great potential for development. Based on the Group's experience and strength in the medical field, we will continue to further explore and expand our existing businesses to further penetrate the hemodialysis sector, and it will become the driving force for building our Group's influence in the market and create better return to the shareholders.

The Group will continue to pay attention to different investment opportunities, identify appropriate businesses and projects for shareholders, and increase shareholders returns.

LIQUIDITY AND FINANCIAL RESOURCES

Overall financial position

The Group had total cash and cash equivalents of approximately HK\$5.768 million as at 31 March 2022 (2021: approximately HK\$25.099 million). The decrease was due to the repayment of shareholder and director loans. The Group recorded total current assets of approximately HK\$81.453 million as at 31 March 2022 (2021: approximately HK\$66.512 million) and total current liabilities of approximately HK\$45.468 million as at 31 March 2022 (2021: approximately HK\$32.916 million). The current ratio of the Group, calculated by dividing the current assets by the current liabilities, was approximately 1.79 as at 31 March 2022 (2021: approximately 2.02).

Gearing ratio

As at 31 March 2022, the Group's gearing ratio which was calculated based on outstanding debts (comprising amount due to a connected person, amount due to a director, amount due to a shareholder and lease liabilities) less cash and cash equivalents over total equity (including all capital and reserves attributable to owners of the Company) was approximately 0.15 (2021: approximately 0.07).

Contingent liabilities

As at 31 March 2022, 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.

Capital commitment

As at 31 March 2022, the Group had no material capital commitment (2021: approximately HK\$1.245 million).

Going concern

Based on the current financial forecast and financing facilities available, the Group has sufficient financial resources for ongoing operation in the foreseeable future. As such, the financial statements were prepared on a going concern basis.

CAPITAL STRUCTURE

As at 31 March 2022, the total issued share capital of the Company was approximately HK\$28.011 million (2021: approximately HK\$28.011 million) representing 560,222,136 ordinary shares (2021: 560,222,136 ordinary shares).

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The following is the key risk and uncertainty identified by the Group. There may be other risks and uncertainties in addition to those shown below which are not known to the Group or which may not be material now but could turn out to be material in the future.

Market risks

PRC government policy

The Group is very concerned about external regulatory compliance and environmental changes, and a management team is responsible for timely collection, interpretation and promotion of external regulatory requirements. The Group's management, together with the business line, will also discuss changes in the external environment, assess the impact of regulatory requirements on the existing business, and develop targeted countermeasures. The Group's compliance team will provide professional advice on the latest regulatory requirements and conduct compliance reviews on the compliance of existing regulations.

Operational risks

Risks of the COVID-19 pandemic. Due to factors such as the regulatory lock-down, quarantine of people, and delayed resumption of work and production as a result of the pandemic, the operations of the Group may have been affected to some extent. The Group will pay close attention and development of the COVID-19 and continue to evaluate its impact on the financial position and operating results of the Group.

Foreign exchange and goodwill impairment risks

Since almost all transactions of the Group are denominated in Renminbi and Hong Kong dollars, most of the bank deposits are being kept in Renminbi and Hong Kong dollars to minimise exposure to foreign exchange risk, the Directors consider that the Group's risk exposure to currency fluctuations to be manageable. Therefore, the Group had not implemented any formal hedging or other alternative policies to deal with such exposure during the year.

Impairment test for goodwill is based on the forecast of future cash flow and contains the management's relevant assumptions and professional judgements. Goodwill is exposed to certain risks of impairment.

Employees and remuneration policy

As at 31 March 2022, the Group had 188 (2021: 178) full time employees (including Directors) as shown in the following table:

| Location | Number of staff |
|-----------------|----------------------------|
| Hong Kong | 10 |
| PRC | 178 |

For the year ended 31 March 2022, staff costs (including directors emoluments) amounted to approximately HK\$19.247 million (2021: approximately HK\$20.409 million). The Group remunerates its employees based on individual performance and qualification. Apart from the basic remuneration, staff benefits include share-based payment, the contribution to the Mandatory Provident Fund Scheme, discretionary bonus and medical coverage in Hong Kong; and basic insurance for the elderly, basic medical insurance, work injury insurance and unemployment insurance to the employees in the PRC.

CHARGES ON GROUP'S ASSETS

As at 31 March 2022, the Group did not have any charges on the Group's assets.

MATERIAL ACQUISITIONS AND DISPOSALS

During the year, the Group did not have any material acquisitions and disposals of subsidiaries, associates or joint ventures during the year.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the year ended 31 March 2022, there were no purchase, sale or redemption of the Company's listed securities by the Company or any of its subsidiaries.

EVENT AFTER THE REPORTING PERIOD

The Directors are not aware of any significant events requiring disclosure that has taken place subsequent to 31 March 2022 and up to the date of this announcement.

CORPORATE GOVERNANCE PRACTICES

Wanjia Group Holdings Limited (the “**Company**”) acknowledges the need and importance of corporate governance as one of the key elements in creating shareholders’ value. The Company is also committed to achieving high standard of corporate governance that can properly protect and promote the interests of all shareholders and to enhance corporate value, accountability and transparency of the Company.

The Company strived to maintain a high standard of corporate governance and complied with the Corporate Governance Code (the “**CG Code**”) as stated in Appendix 14 of the Rules Governing the Listing Securities on Main Board (the “**Listing Rules**”) of the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). During the year under review, the Company had revised the Terms of Reference for its Audit Committee in order to fully comply with the amendments to the Listing Rules in relation to corporate governance that took effect since 1 January 2021.

The Company has adopted the code provisions in the CG Code as its own code of corporate governance. Save as the deviation from the code provision A.2.1, separation of roles of Chairman and Chief Executive Officer pursuant to code provision A.2.1 as disclosed in the section “Chairman and Chief Executive Officer”. The board of directors (the “**Board**”) considers that the Company was in compliance with all applicable code provisions set out in the CG Code from 11 October 2013, being the date of listing of the Company, to the date of this announcement.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Code provision A.2.1 stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. After the former chairman resigned from the Company in 2014, there is no position of the chairman. The Company did not have the chairman during the year ended 31 March 2022. The Board considered that the existing Board members were able to share the power and responsibilities of chairman among themselves during the year ended 31 March 2022.

Mr. Wang Jia Jun has been appointed as the Chief Executive Officer of the Company since 1 April 2021 and up to the date of this announcement. The Company will, from time to time, review the effectiveness of the Group’s corporate governance structure and consider whether any changes, including the establishment of the role of the chairman.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the “**Model Code**”) since 11 October 2013, being the date of listing of the Company, up to the date of this announcement.

AUDIT COMMITTEE

The Audit Committee was established on 24 September 2013 with written terms of reference in compliance with Rule 3.2.1 of the Listing Rules and a copy of which is posted on the website of the Company and of the Stock Exchange. In order to comply with the amended CG Code, the Board adopted the revised Terms of Reference of the Audit Committee on 31 December 2018. The Audit Committee's current members are:

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

All of the committee members are independent non-executive Directors. The primary duties of the Audit Committee include, but are not limited to:

- (a) reviewing and monitoring the external auditors' independence and objectivity and the effectiveness of the audit process in accordance with applicable standard;
- (b) monitoring integrity of financial statements of the Company and the Company's annual report and accounts and the interim report;
- (c) reviewing the Company's financial controls, risk management and internal control systems;
- (d) reporting to the Board on the matters set out in the code provisions as stated in Appendix 14 to the Listing Rules.

The Audit Committee shall hold at least two regular meetings in a year to review and discuss the interim and annual financial statements of the Company. Additional meetings of the Audit Committee may be held as and when required.

The Audit Committee shall meet with the external auditors at least once a year. The external auditors may request a meeting if they consider necessary.

During the year ended 31 March 2022, the Audit Committee held three meetings.

The Audit Committee has reviewed with management accounting principles and practices adopted by the Group and discussed internal control and financial reporting matters for the year ended 31 March 2022. The Group's consolidated financial results for the year ended 31 March 2022 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 has been made.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 24 September 2013 with written terms of reference in compliance with Rule 3.25 of the Listing Rule and a copy of which is posted on the website of the Company and of the Stock Exchange. The Remuneration Committee has adopted the approach under code provision B.1.2(c)(ii) of the CG Code and made recommendations to the Board on the Group's overall policy and structure for the remuneration of Directors and senior management. The Remuneration Committee's current members are:

Mr. Wong Hon Kit (*Chairman*)

Dr. Liu Yongping

Mr. Ho Man

Mr. Wang Jia Jun

The role and function of the Remuneration Committee include the determination of 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.

The Remuneration Committee shall meet once during the financial year. During the meeting, the Remuneration Committee will review the remuneration packages of the executive Directors, independent non-executive Directors and senior management.

The Remuneration Committee held four meetings during the year ended 31 March 2022.

NOMINATION AND CORPORATE GOVERNANCE COMMITTEE

The Nomination and Corporate Governance Committee was established in 24 September 2013 with written terms of reference in compliance with paragraph A.5.1 and D.3.1 of Appendix 14 to the Listing Rule and a copy of which is posted on the website of the Company and of the Stock Exchange. The Nomination and Corporate Governance Committee's current members are:

Mr. Wang Jia Jun (*Chairman*)

Mr. Wong Hon Kit

Dr. Liu Yongping

Mr. Ho Man

All of the members are independent non-executive Directors. The primary duties of the nomination and corporate governance committee include, but are not limited to:

- (a) 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;
- (b) 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 directorship;
- (c) 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
- (d) keeping the effectiveness of the corporate governance and system of internal controls of the Group.

The Nomination and Corporate Governance Committee shall meet once during the financial year. During the meeting, the Nomination and Corporate Governance Committee will review the structure, size and composition (including the skills, knowledge and experience) of the Board and review the arrangement for re-election of all the retiring Directors at the forthcoming general meetings of the Company and the terms of reference of the Nomination and Corporate Governance Committee.

The Nomination and Corporate Governance Committee has adopted a Board Diversity Policy (“**Policy**”). The Company continuously seeks to enhance the effectiveness of its Board and to maintain the highest standards of corporate governance and recognises and embraces the benefits of diversity in the Board. A diversity of perspectives can be achieved through engaging directors in possession of gender, age, cultural and educational background, ethnicity, professional experience, required experience, skills, knowledge and length of service, etc. The composition, experience and balance of skills of the Board are regularly reviewed to ensure that the Board retains a core of members with longstanding knowledge of the Group alongside new Director(s) appointed from time to time who bring fresh perspectives and diverse experience to the Board. The Board appointments will continue to be made on a merit basis and candidates will be considered against objective criteria, with due regard for the benefits of diversity in the Board. The Board will continue to review the Policy to ensure its continued effectiveness on an annual basis.

The Nomination and Corporate Governance Committee held three meetings during the year ended 31 March 2022.

SCOPE OF WORK OF HLB HODGSON IMPEY CHENG LIMITED

The figures in respect of the Group’s consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2022 as set out in the announcement have been agreed by the Group’s auditors, HLB Hodgson Impey Cheng Limited, to the amounts set out in the Group’s draft consolidated financial statements for the year. The work performed by HLB Hodgson Impey Cheng Limited in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by HLB Hodgson Impey Cheng Limited on the announcement.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company (“AGM”) will be held on Friday, 9 September 2022 at Suite 1801, 18/F., Tower 1, The Gateway, Harbour City, 25 Canton Road, Kowloon, Hong Kong. The register of members of the Company will be closed from Tuesday, 6 September 2022 to Friday, 9 September 2022, both days inclusive, during which period no transfer of shares will be effected.

In order to be entitled to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong (if the transfer will be lodged before 15 August 2022) or 17/F, Far East Finance Centre, 16 Harcourt Road, Admiralty, Hong Kong (if the transfer will be lodged on or after 15 August 2022) for registration no later than 4:30 p.m. on Monday, 5 September 2022.

APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management team and staff for their tireless dedication that helps fuel the Group’s healthy development. In addition, I would also like to thank all our shareholders, business partners and customers for their continuous support. In 2022, the Company will continue to work tirelessly to create long-term value returns for the shareholders.

By Order of the Board
WANJIA GROUP HOLDINGS LIMITED
Wang Jia Jun
Chief Executive Officer and Executive Director

Hong Kong, 27 June 2022

As at the date of this announcement, the Board comprises one executive Director, namely Mr. Wang Jia Jun, one non-executive Director, namely Dr. Xiao Zhixin, and three independent non-executive Directors, namely Mr. Wong Hon Kit, Dr. Liu Yongping and Mr. Ho Man.