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CHINA HANYA GROUP HOLDINGS LIMITED

中國瀚亞集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 8312)

DISCLOSEABLE TRANSACTION PROPOSED ACQUISITION OF THE TARGET COMPANY ISSUE OF CONSIDERATION SHARES UNDER GENERAL MANDATE

THE SPA

On 3 November 2016 (after trading hours), the Company, the Vendor and Mr. Cheung entered into the SPA pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the entire issued share capital of the Target Company at the Consideration of HK\$24 million.

As at the date of this announcement, the entire equity interest of the Target Company is held by the Vendor. Upon Completion, the Company will own the entire issued share capital in the Target Company and the Target Company will become a wholly-owned subsidiary of the Company.

ISSUE OF CONSIDERATION SHARES UNDER THE GENERAL MANDATE

The Consideration shall be satisfied in full by the Company's issue of 25,000,000 new Shares to the Vendor upon Completion at the price of HK\$0.96 per Share.

The Consideration Shares represent approximately 3.38% of the existing issued share capital of the Company as at the date hereof and approximately 3.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change in the issued share capital of the Company other than the issue of the Consideration Shares since the date of this announcement up to the date of the Completion).

The Consideration Shares will be allotted and issued under the General Mandate granted to the Directors at the EGM held on 23 June 2016.

The Company shall pay a deposit of HK\$1 million within three Business Days from the date of the SPA to the Vendor and it shall be refunded (a) within three Business Days upon the expiry of a nine months period from the date of the SPA if (i) the Target Company fails to obtain written approval from the SFC for revoking the condition that the Target Company shall not hold client assets as imposed on the SFC Licenses; or (ii) the SFC bars the Target Company from changing its substantial shareholder; or (b) on the date of Completion.

LISTING RULES IMPLICATIONS

As one of the relevant applicable percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements.

The Board is pleased to announce that, on 3 November 2016 (after trading hours), the Company, the Vendor and Mr. Cheung entered into the SPA pursuant to which the Vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the entire issued share capital of the Target Company at the Consideration of HK\$24 million.

THE SPA

Date:

3 November 2016 (after trading hours)

Parties:

- (i) the Company, as the purchaser and issuer;
- (ii) Shining Investment Holdings Limited, as the vendor and warrantor; and
- (iii) Mr. Cheung, as the warrantor.

The Vendor is a limited liability company incorporated in the British Virgin Islands and its principal activity is investment holding.

Mr. Cheung is the director, responsible officer of the Target Company and the beneficial owner of the Vendor.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Vendor and Mr. Cheung are third parties independent of the Company and its connected persons.

Assets to be acquired

Pursuant to the SPA, the vendor has conditionally agreed to sell, and the Company has conditionally agreed to purchase, the entire share capital of the Target Company.

As at the date of this announcement, the entire equity interest of the Target Company is held by the Vendor. Upon Completion, the Company will own the entire issued share capital in the Target Company and the Target Company will become a wholly-owned subsidiary of the Company.

Further information on the Target Company is set out in the paragraph headed “Information on the Target Company” below.

Consideration

The Consideration for the Acquisition is HK\$24 million, which shall be satisfied in full by the Company’s issue of 25,000,000 new Shares to the Vendor upon Completion at the price of HK\$0.96 per Share.

The Consideration was determined after arm’s length negotiations between the Group and the Vendor with reference to the price-to-book ratio of other listed companies in Hong Kong which are principally engaged in similar business to that of the Target Company.

The Company shall pay a deposit of HK\$1 million within three Business Days from the date of the SPA to the Vendor and it shall be refunded (a) within three Business Days upon the expiry of a nine months period from the date of the SPA if (i) the Target Company fails to obtain written approval from the SFC for revoking the condition that the Target Company shall not hold client assets as imposed on the SFC Licenses; or (ii) the SFC bars the Target Company from changing its substantial shareholder; or (b) on the date of Completion.

Consideration Shares

The aggregate nominal value of the Consideration Shares is HK\$24 million. As at the date hereof, there are 740,000,000 Shares in issue. The Consideration Shares represent approximately 3.38% of the existing issued share capital of the Company as at the date hereof and approximately 3.27% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares (assuming that there is no other change in the issued share capital of the Company other than the issue of the Consideration Shares since the date of this announcement up to the date of the Completion).

The Consideration Shares will be issued under the General Mandate granted to the Directors by the Shareholders at the EGM to allot, issue and deal with Shares up to 20% of the issued share capital of the Company as at the date of the EGM. Under the General Mandate, the Directors were authorised to issue up to 138,400,000 Shares.

Prior to the date of the SPA, the Company has allotted and issued 48,000,000 Shares under the General Mandate. Accordingly, as at the date of this announcement, the Directors have the power to allot and issue up to 90,400,000 Shares under the General Mandate. Therefore, the issue of the Consideration Shares is not subject to the Shareholders' approval.

After the Consideration Shares are issued, the Directors will still have the power to issue up to 65,400,000 Shares under the General Mandate (assuming that the Company has not allotted and issued any other new Shares).

The issue price of approximately HK\$0.96 per Consideration Share represents:

- (i) a discount of approximately 46.4% to the closing price of HK\$1.79 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 44.2% to the average closing price of HK\$1.72 per Share as quoted on the Stock Exchange for the five consecutive trading days prior to the Last Trading Day.

The issue price of the Consideration Shares was determined after arm's length negotiations between the Group and the Vendor having taken into account the 12-month closing prices of the Shares immediately prior to the date of the SPA.

The Consideration Shares, when allotted and issued, will rank equally with all other existing Shares in issue on the date of allotment and issue of the Consideration Shares.

Under the SPA, there is no restriction on the ability of the Vendor to sell or dispose of any of the Consideration Shares after the same are allotted and issued.

An application will be made by the Company to the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

Effect on shareholding structure

The following table illustrates the shareholding structure of the Company (i) as at the date of this announcement; and (ii) immediately after Completion (assuming that there is no change in the issued share capital of the Company other than the issue of the Consideration Shares since the date of this announcement and up to the date of Completion):

Shareholders	As at the date of this announcement		Immediately after the Completion	
	<i>Number of Shares</i>	<i>Approximate %</i>	<i>Number of Shares</i>	<i>Approximate %</i>
China Merit International Inc. (Note)	515,000,000	69.59	515,000,000	67.32
Other public Shareholders	225,000,000	30.41	225,000,000	29.41
The Vendor	<u>—</u>	<u>—</u>	<u>25,000,000</u>	<u>3.27</u>
Total	<u>740,000,000</u>	<u>100.00</u>	<u>765,000,000</u>	<u>100.00</u>

Note: China Merit International Inc., a company incorporated in British Virgin Islands on 1 July 2015 with limited liability and an investment holding company where the entire issued share capital of which is wholly-owned by Mr. Liu Sit Lun, the executive Director.

Conditions precedent

Completion is conditional upon the following conditions precedent being fulfilled and remained fulfilled (or waived by the Company) for the Company's inspection:

- (a) the Stock Exchange granting the approval for the listing of, and permission to deal in, the Consideration Shares;
- (b) the written approval from the SFC required for revoking the conditions (i.e. the Company shall not hold client assets) imposed on the SFC Licences having been obtained;
- (c) the written approval from the SFC required for the Company to become the substantial shareholder of the Target Company as defined under the SFO having been obtained;
- (d) the SFC Licences granted by SFC to the Target Company for conducting type 1 (dealing with securities) and type 2 (dealing with futures contracts) regulated activities in Hong Kong have not been revoked, termination or suspended, and the Target Company has not been notified of such revocation, termination or suspension;
- (e) the representations, warranties and undertakings given or made by the Warrantors remaining true, accurate and not misleading at any time from the day of the execution of the SPA up to and including the date of Completion;

- (f) the Vendor having provided to the Company for verification the draft unaudited accounts of the Target Company at least five days prior to the Completion; and
- (g) none of the representations, warranties and undertakings given or made by the Warrantors and other provisions of the SPA having been breached in any material respect (or, if capable of being remedied, has not been remedied), or (in respect of any of the warranties) is misleading or untrue or inaccurate in any material respect.

The Company may in its absolute discretion waive the conditions precedent (save for (b), (c) and (d)) at any time by notice in writing to the Vendor.

In the event that not all the conditions precedent above have been fulfilled or waived by the Company six months from the date of the SPA (or by such other later date(s) as the parties may mutually agree in writing), the SPA shall immediately lapse and none of the parties to the SPA shall have any obligations and liabilities towards each other thereunder save for any antecedent breaches of the SPA.

Completion

Completion shall take place on the fourteenth Business Days following the fulfilment (or waiver, if applicable) of the conditions precedent or such other date as agreed between the parties to the SPA.

Following the Completion, the Target Company will become a wholly-owned subsidiary of the Company and the financial results of the Target Company will be consolidated into the financial statements of the Group.

Information on the Target Company

The Target Company is a private company incorporated in Hong Kong with limited liability on 24 July 2008 with an issued and paid up share capital of HK\$8,000,000 divided into 8,000,000 ordinary shares. The Target Company is a licensed corporation to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under SFO. It is principally engaged in the business of securities dealings.

Set out below is a summary of the audited financial information of the Target Company for the two years ended 31 December 2014 and 2015 respectively as prepared in accordance with the Hong Kong Financial Reporting Standards:

	For the year ended 31 December 2015	For the year ended 31 December 2014
	<i>Approximate HK\$'000</i>	<i>Approximate HK\$'000</i>
Revenue	2,332	13,298
Net (loss)/profit before taxation	(690)	10,062
Net (loss)/profit after taxation	(606)	8,452
	As at 31 December 2015	As at 31 December 2014
	<i>Approximate HK\$'000</i>	<i>Approximate HK\$'000</i>
Total assets	15,881	17,732
Net assets	15,721	16,327

REASONS FOR AND BENEFITS OF THE ACQUISITION

The principal activity of the Group is garment distribution. The Company has been actively seeking suitable investment or new business opportunities from time to time in order to diversify its business and enhance the long-term growth potential of the Company and Shareholders' value, which may cover, among others, the financial services industry, including but not limited to securities dealing services in Hong Kong. By investing in the Target Company, it is expected that the Group can leverage on the Target Company as a platform to diversify its business into the financial services industry and thereby broaden its sources of income. Thus, the Directors believe that the terms of the SPA are on normal commercial terms which are fair and reasonable and the Acquisition is in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one of the relevant applicable percentage ratios calculated in accordance with the GEM Listing Rules in respect of the Acquisition exceed 5% but less than 25%, the Acquisition constitutes a discloseable transaction on the part of the Company under Chapter 19 of the GEM Listing Rules and is subject to the reporting and announcement requirements.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following words and expressions shall have the following meanings ascribed to them respectively:

“Acquisition”	the acquisition of the entire issued share capital of the Target Company in accordance with the terms and conditions of the SPA
“Board”	the board of Directors
“Business Day(s)”	a day (other than Saturday or a Sunday and any day on which a typical cyclone warning no. 8 or above or a “black” rainstorm warning signal is hoisted or remains hoisted or in effect between 9:00 a.m. and 12:00 noon and is not lowered or discontinued at or before 12:00 noon) on which licensed banks are generally open for business in Hong Kong
“Company”	China Hanya Group Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“Completion”	completion of the Acquisition
“connected person(s)”	has the meaning ascribed to it under the GEM Listing Rules
“Consideration”	the aggregate consideration of HK\$24 million payable for the proposed Acquisition
“Consideration Shares”	25,000,000 new Shares to be issued by the Company upon Completion
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company held on 23 June 2016
“GEM”	the Growth Enterprise Market of the Stock Exchange
“GEM Listing Rules”	the Rules governing the Listing of Securities on GEM
“General Mandate”	the mandate granted to the Directors by the Shareholders at the EGM to allot, issue and deal with up to 20% of then issued share capital of the Company as at the date of EGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China

“Last Trading Day”	3 November 2016, being the date of the SPA
“Mr. Cheung”	Mr. Cheung Sze Hon, a director and responsible officer of the Target Company and the beneficial owner of the Vendor
“SFC”	the Securities and Futures Commission of Hong Kong
“SFC Licences”	the licences issued by SFC to the Target Company for the carrying out of type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under SFO
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“SPA”	the sale and purchase agreement dated 3 November 2016 entered into between the Vendor, Mr. Cheung and the Company for the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the GEM Listing Rules
“Target Company”	Shining Securities Company Limited, a company incorporated in Hong Kong with limited liability which is licensed to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under SFO
“Vendor”	Shining Investment Holdings Limited, a company incorporated in the British Virgin Islands with limited liability
“Warrantors”	the Vendor and Mr. Cheung
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

By order of the Board
China Hanya Group Holdings Limited
Liu Sit Lun
Chairman

Hong Kong, 3 November 2016

As at the date of this announcement, the Board comprises of Mr. Liu Sit Lun, Mr. Law Kin Wah, Kenneth and Ms. Sun Wing Man, Doris as executive Directors and Mr. Lau Tak Wai, Davie, Ms. Lau Yat Ying, Karen, and Ms. Chan Hau Man as independent non-executive Directors. This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the “Latest Company Announcements” page of the GEM website (www.hkgem.com) for at least 7 days from its date of its posting and on the Company’s website at www.brillianceww.com.