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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 DECEMBER 2017

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET (“GEM”) OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

This announcement, for which the directors (the “Directors”) of China Hanya Group Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (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, (i) the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive; and (ii) 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 (<http://www.hkgem.com>) for at least seven days from the date of its posting and on the website of the Company at www.chinahanya.com.hk.

RESULT

The board of Directors (the “Board”) of the Company hereby announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 December 2017, together with the unaudited comparative figures for the corresponding period in 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 December 2017

		Three months ended	
		31 December	
		2017	2016
	Note	HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	3	27,015	1,564
Cost of sales		<u>(24,438)</u>	<u>(1,564)</u>
Gross profit		2,577	—
Other income, gains and losses		43	198
Selling and distribution expenses		(281)	(231)
Administrative and other operating expenses		(3,228)	(9,430)
Finance costs		<u>(44)</u>	<u>—</u>
Loss before tax	4	(933)	(9,463)
Income tax	5	<u>(224)</u>	<u>—</u>
Loss for the period attributable to owners of the Company		<u>(1,157)</u>	<u>(9,463)</u>
Other comprehensive income:			
Exchange differences arising on translation of foreign operations, with no income tax effects		<u>187</u>	<u>—</u>
Total comprehensive expenses for the period attributable to owners of the Company		<u>(970)</u>	<u>(9,463)</u>
Loss per share			
HK cent — Basic and diluted	7	<u>(0.16)</u>	<u>(1.28)</u>

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 December 2017

1. CORPORATE INFORMATION

The Company's principal place of business in Hong Kong is Room 2404, 24/F, World-Wide House, 19 Des Voeux Road Central, Hong Kong and the Company was registered as a non-Hong Kong company under part XVI of the Hong Kong Companies Ordinance (Cap. 622, Laws of Hong Kong) on 12 November 2010.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the distribution of garment products and household products.

2. BASIS OF PREPARATION

The Group's unaudited condensed consolidated statement of comprehensive income has been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Company. There has been no significant change to the accounting policy applied in this financial statement for the period presented as a result of these developments.

The unaudited condensed consolidated statement of comprehensive income has been prepared under the historical cost convention.

The preparation of statement of comprehensive income in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgments in the process of applying the Group's accounting policies.

The accounting policies adopted in preparing the unaudited condensed consolidated statement of comprehensive income were consistent with those applied for the financial statements of the Group for the year ended 30 September 2017.

This unaudited condensed consolidated statement of comprehensive income is presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$'000), unless otherwise stated.

The condensed consolidated statement of comprehensive income has not been audited by the Company's auditors, but have been reviewed by the Company's audit committee.

3. REVENUE AND SEGMENT INFORMATION

Information reported to the chief executive officer of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focusing on the types of goods distributed by the Group.

The Group's operating and reportable segments under HKFRS 8 are (i) distribution of household products and (ii) distribution of garment products. The CODM reviews the financial performance of different product mix separately.

The revenue streams and results from these segments are the basis of the internal reports about components of the Group that are regularly reviewed by the CODM in order to allocate resources to segments and to assess their performance.

No segment assets or liabilities is presented as the CODM does not review segment assets and liabilities.

The following is an analysis of the Group's revenue and results by operating and reportable segment.

For the three months ended 31 December 2017

	Distribution of household products <i>HK\$'000</i> (Unaudited)	Distribution of garment products <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue			
External sales	<u>10,362</u>	<u>16,653</u>	<u>27,015</u>
Segment profit	<u>831</u>	<u>1,746</u>	<u>2,577</u>
Other income, gains and losses			43
Unallocated expenses			<u>(3,553)</u>
Loss before taxation			<u><u>(933)</u></u>

For the three months ended 31 December 2016

	Distribution of household products <i>HK\$'000</i> (Unaudited)	Distribution of garment products <i>HK\$'000</i> (Unaudited)	Total <i>HK\$'000</i> (Unaudited)
Revenue			
External sales	<u>—</u>	<u>1,564</u>	<u>1,564</u>
Segment profit	<u>—</u>	<u>—</u>	<u>—</u>
Other income, gains and losses			198
Unallocated expenses			<u>(9,661)</u>
Loss before taxation			<u><u>(9,463)</u></u>

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 2. Segment result represents the profit earned by each product mix segment without allocation of other income, gains and losses, selling and distribution expenses, administrative and other operating expenses, finance costs and taxation. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

Segment revenue and results

Revenue from major products

The following is an analysis of the Group's revenue from its major products:

	For the three months ended	
	31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Household products	10,362	—
Innerwear	570	1,564
Clothing products (other than innerwear)	16,083	—
	<u>27,015</u>	<u>1,564</u>

Geographical information

The Group's operation is mainly carried out in Hong Kong and the People's Republic of China (the "PRC"). The Group's revenue is mainly derived from customers located in the PRC (2016: Sweden and the United Kingdom (the "U.K.")).

The Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods is detailed below:

	For the three months ended	
	31 December	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sweden	—	479
The U.K.	—	1,085
PRC	27,015	—
	<u>27,015</u>	<u>1,564</u>

Information about major customers

Revenue from external customers of the corresponding year contributing over 10% of total revenue of the Group are as follows:

	For the three months ended 31 December	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Customer A	—	1,085
Customer B	16,083	—
Customer C	9,276	—

4. LOSS BEFORE TAX

Loss before taxation is stated after charging the following:

(a) Staff costs (including Directors' and chief executive officer's remuneration)

	For the three months ended 31 December	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Salaries, wages and other benefits	2,305	7,786
Contributions to defined contribution retirement plans	53	78
	<u>2,358</u>	<u>7,864</u>

(b) Other items

	For the three months ended 31 December	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Auditor's remuneration	150	125
Cost of inventories	24,438	1,564
Depreciation on property, plant and equipment	33	42
Depreciation on an investment property	5	—
Operating lease charges	31	20
Exchange loss, net	—	11

(c) **Finance costs**

**For the three months ended
31 December**

2017	2016
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Interest on loan from a shareholder

44	—
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5. INCOME TAX

**For the three months ended
31 December**

2017	2016
HK\$'000	HK\$'000
(Unaudited)	(Unaudited)

Current tax charge in the PRC

224	—
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Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for both periods. No Hong Kong Profits Tax has been provided for in the consolidated financial statements as the Group has no assessable profits for both periods.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC group entities is 25% for both periods.

6. DIVIDEND

The Directors resolved not to declare the payment of any dividend for the three months ended 31 December 2017 (2016: Nil).

7. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$1,157,000 (2016: HK\$9,463,000) and the weighted average of 740,000,000 shares issued for the three-month period ended 31 December 2017.

(b) Diluted loss per share

Diluted loss per share equals to the basic loss per share for both three-month periods ended 31 December 2016 and 2017.

8. MOVEMENT OF RESERVE

Movement of reserves for the Group during the period is set out below:

	Attributable to owners of the Company					Accumulated losses HK'000	Total HK'000
	Share capital HK'000	Share premium HK'000	Capital reserve HK'000	Merger reserve HK'000	Translation reserve HK'000		
At 1 October 2016 (audited)	7,400	45,342	3,718	(383)	226	(17,516)	38,787
Other comprehensive income	—	—	—	—	—	—	—
Loss for the period	—	—	—	—	—	(9,463)	(9,463)
Total comprehensive expenses for the period	—	—	—	—	—	(9,463)	(9,463)
At 31 December 2016 (unaudited)	<u>7,400</u>	<u>45,342</u>	<u>3,718</u>	<u>(383)</u>	<u>226</u>	<u>(26,979)</u>	<u>29,324</u>
At 1 October 2017 (audited)	7,400	45,342	3,718	(383)	461	(39,882)	16,656
Other comprehensive income	—	—	—	—	187	—	187
Loss for the period	—	—	—	—	—	(1,157)	(1,157)
Total comprehensive expenses for the period	—	—	—	—	187	(1,157)	(970)
At 31 December 2017 (unaudited)	<u>7,400</u>	<u>45,342</u>	<u>3,718</u>	<u>(383)</u>	<u>648</u>	<u>(41,039)</u>	<u>15,686</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three months ended 31 December 2017, the Group's revenue was approximately HK\$27.0 million, which was 17.3 times of the revenue in last year's corresponding period. The loss of the Group for the three months ended 31 December 2017 was approximately HK\$1.2 million as compared to the loss of approximately HK\$9.5 million for the three months ended 31 December 2016. Such significant increase in revenue was mainly due to the set up of distribution business of garment and other products in Mainland China by the Group in December 2016.

The strategic business development helped the Group to diversify its markets of distribution business and focus on the growing market. For the three months ended 31 December 2017, the Group's revenue contributed from household products, innerwear and clothing products (other than innerwear) were HK\$10.4 million, HK\$0.6 million and HK\$16.1 million respectively (2016: Nil, HK\$1.6 million and Nil).

FINANCIAL REVIEW

The revenue of the Group for the three months ended 31 December 2017 was approximately HK\$27.0 million, representing an increase of 1,627.3% from the same period last year. Cost of sales of the Group increased by 1,425.0% from HK\$1.6 million for the three months ended 31 December 2016 to HK\$24.4 million for the three months ended 31 December 2017. The increase in cost of sales was mainly due to the increase in sales order during the period.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2017, cash and bank balances of the Group amounted to approximately HK\$26.5 million (As at 30 September 2017: HK\$15.5 million). The current ratios (current asset divided by current liabilities) of the Group were 1.4 times and 1.8 times as at 31 December 2017 and 30 September 2017 respectively.

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the Company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The Group monitors when managing capital on the basis of the gearing ratio. As at 31 December 2017, the gearing ratio was 38.3% (2016: 0%). This ratio is calculated as total debt divided by total capital.

OUTLOOK

The Group's revenue for the three months ended 31 December 2017 was significantly improved compared to the corresponding period in 2016 as a result of the outperforming distribution of household products and garment products carried out in Mainland China recorded during the period. The Group will continue to develop its distribution business to strive growth in both revenue and profit of the Group and explore new opportunities for future growth.

Meanwhile, the Group has diversified its business into financial services business. On 27 September 2016, the Company entered into a sale and purchase agreement to purchase the entire issued shares of China Hanya Asset Management Limited ("CHAM"), being a licensed corporation to carry on Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The acquisition of CHAM is expected to be completed in the first half of 2018.

China Hanya Securities Limited, a wholly-owned subsidiary of the Company, was licensed to carry on Type 1 (dealing in securities) regulated activity under the SFO on 31 January 2018.

The Group will commence the financial services business as soon as practicable upon finalising the development plan of such business.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2017, the Group has 6 directors and 13 employees. Total staff costs, including Directors' emoluments, amounted to approximately HK\$2.4 million for the three months ended 31 December 2017. The Group's remuneration policies were determined with reference to the performance, qualification and experience of individual employee, as well as the results of the Group and the market conditions. The Group provided discretionary bonus, medical insurance and provident fund to its employees. The Company adopted a share option scheme on 3 November 2010, under which the Company can grant options to, among others, employees of the Group to subscribe for shares of the Company with a view to rewarding them for their contributions to the Group and giving incentives to them for optimising their future contributions to the Group.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2017, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the "Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name	Capacity and nature of interest	Number of Shares	Percentage of the Company's issued share capital
Mr. Yun Ligo ^(Note)	Interest of controlled corporation	515,000,000 (Long Position)	69.59%

Note: Handsome Global Investments Limited ("Handsome Global") is wholly-owned by Mr. Yun Ligo and Mr. Yun Ligo is therefore deemed to be interested in the Shares held by Handsome Global.

Save as disclosed above, as at 31 December 2017, none of the Directors or chief executive of the Company or their respective associates had any other interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO), or to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2017, so far as is known to the Directors, the following persons (not being the Directors or chief executive of the Company) had or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares

Name	Capital and nature of interest	Number of Shares	Percentage of the Company's issued share capital
Handsome Global ^(Note 1)	Beneficial owner	515,000,000 (Long Position)	69.59%
Tang Xiuxia ^(Note 2)	Interests of spouse	515,000,000 (Long Position)	69.59%
Tinmark Development Limited ^(Note 3)	Interest of controlled corporation	515,000,000 (Long Position)	69.59%
Yao Jianhui ^(Note 3)	Interest of controlled corporation	515,000,000 (Long Position)	69.59%
Goldjoy Holding Limited ^(Note 3)	Interest of controlled corporation	515,000,000 (Long Position)	69.59%
China Goldjoy Group Limited ^(Note 3)	Interest of controlled corporation	515,000,000 (Long Position)	69.59%
Stellar Result Limited ^(Note 3)	Interest of controlled corporation	515,000,000 (Long Position)	69.59%
China Goldjoy Credit Limited ^(Note 3)	Person having a security interest in shares	515,000,000 (Long Position)	69.59%
Great Sphere Developments Limited ^(Note 3)	Person having a security interest in shares	515,000,000 (Long Position)	69.59%

Notes:

1. Handsome Global is wholly-owned by Mr. Yun Ligu.
2. Ms. Tang Xiuxia is the spouse of Mr. Yun Ligu. Therefore, Ms. Tang Xiuxia is deemed to be interested in the Shares which Mr. Yun Ligu is interested in.

3. Mr. Yao Jianhui holds 100% of the shares of Tinmark Development Limited, and Tinmark Development Limited holds 48.63% of the shares of China Goldjoy Group Limited, and China Goldjoy Group Limited holds 100% of the shares of Great Sphere Developments Limited, and Great Sphere Developments Limited holds 80% of the shares of Goldjoy Holding Limited, and Goldjoy Holding Limited holds 100% shares of Stellar Result Limited, and Stellar Result Limited holds 100% of the shares of China Goldjoy Credit Limited. Therefore, Mr. Yao Jianhui, Tinmark Development Limited, China Goldjoy Group Limited, Great Sphere Developments Limited, Goldjoy Holding Limited and Stellar Result Limited are deemed to be interested in those interests held by China Goldjoy Credit Limited.

Save as disclosed above, as at 31 December 2017, so far as is known to the Directors or chief executive of the Company, no persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

CONTRACT OF SIGNIFICANCE

As at 31 December 2017, there was no contract of significance between the Company or any of its subsidiaries and a controlling shareholder or any of its subsidiaries.

COMPETING INTEREST

During the three months ended 31 December 2017, the Directors were not aware of any business or interest of the Directors and their respective associates (as defined under the GEM Listing Rules) that competed or might compete with the business of the Group and any other conflict of interest which any such person had or might have with the Group.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any one of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities during the three months ended 31 December 2017.

AUDIT COMMITTEE

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial controls, risk management and internal control systems of the Group. The audit committee currently comprises three independent non-executive Directors, namely, Mr. Leung Ka Wo (chairman of the audit committee), Mr. Zhang Tianbao and Mr. Christopher Francisco.

The audit committee has reviewed the financial statements of the Company for the three months ended 31 December 2017 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

By order of the Board
China Hanya Group Holdings Limited
Lu Zhuo
Chairman

Hong Kong, 12 February 2018

As at the date of this announcement, the Board comprises Ms. Lu Zhuo and Mr. Yun Ligu as executive Directors, Ms. Yang Haibi as non-executive Director, and Mr. Leung Ka Wo, Mr. Zhang Tianbao and Mr. Christopher Francisco as independent non-executive Directors.