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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 2016

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.

RESULTS

The board of Directors (the “Board”) of the Company is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 December 2016, together with the unaudited comparative figures for the corresponding period in 2015, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 December 2016

		Three months ended	
		31 December	
	Note	2016	2015
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	3	1,564	13,478
Cost of sales		(1,564)	(12,613)
Gross profit		—	865
Other revenue and other net income		198	93
Selling and distribution expenses		(231)	(391)
Administrative and other operating expenses		(9,430)	(1,229)
(Loss)/Profit from operations		(9,463)	(662)
Finance costs		—	(98)
(Loss)/Profit before tax		(9,463)	(760)
Income tax	4	—	—
(Loss)/Profit for the period attributable to owners of the Company		(9,463)	(760)
Other comprehensive income/(expenses):			
Exchange differences arising on translation of foreign operations, with no income tax effects		—	10
Total comprehensive (expenses)/income for the period attributable to owners of the Company		(9,463)	(750)
(Loss)/Earnings per share			
HK cent — Basic and diluted	6	(1.28)	(0.11)

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 December 2016

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 on 12 November 2010.

The Company is an investment holding company. The Company's subsidiaries are principally engaged in the distribution of apparel 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 2016.

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. TURNOVER AND SEGMENT INFORMATION

Segment revenue and results

The Group is principally engaged in the distribution of apparel products. For management purposes, the Group operates in one business unit based on its products, and has one operating segment which is the distribution of apparel products. Although the garments are sold to overseas customers, the Board, being the chief operating decision-maker (the "CODM"), regularly reviews their consolidated financial information to assess the performance and makes resource allocation decisions. Accordingly, no segmental revenue and results are presented.

Geographical information

The Group's operations are located in Hong Kong.

The Group's turnover from external customers by geographic allocation of the assets is detailed below:

	For the three months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
U.K.	1,085	4,889
Spain	—	3,604
Sweden	479	1,450
Hong Kong	—	2,519
Others	—	1,016
Total turnover	<u>1,564</u>	<u>13,478</u>

Information about products

	For the three months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Innerwear	1,564	7,358
Casual wear	—	1,722
Baby and children wear	—	4,398
Total turnover	<u>1,564</u>	<u>13,478</u>

Information about major customers

Revenues from external customers contributing 10% or more of the Group's total revenue are as follows:

	For the three months ended	
	31 December	
	2016	2015
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Customer A	1,085	4,889
Customer B	—	3,604
Customer C	—	1,882
	<u>1,085</u>	<u>10,375</u>

4. INCOME TAX

No Hong Kong profits tax and PRC enterprise income tax have been provided as the Group had no assessable profits for the three months ended 31 December 2015 and 2016.

No provision for profits tax in the Cayman Islands and British Virgin Islands had been made as the Group has no assessable profits for the period in these jurisdictions (2015: Nil).

5. DIVIDEND

The Directors do not recommend payment of any dividend for the three months ended 31 December 2016 (2015: Nil).

6. 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\$9,463,000 (2015: HK\$750,000) and the weighted average of 740,000,000 shares issued for the three-month period ended 31 December 2016.

(b) Diluted loss per share

Diluted loss per share equals to the basic loss per share for both three-month periods ended 31 December 2015 and 2016.

7. MOVEMENT OF RESERVE

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

	Attributable to owners of the Company						Retained profit/ (accumulated losses) HK'000	Total HK'000
	Share capital HK'000	Share premium HK'000	Share-based compensation reserve HK'000	Capital reserve HK'000	Merger reserve HK'000	Translation reserve HK'000		
At 1 October 2015 (audited)	6,920	16,489	3,124	3,718	(383)	228	(10,053)	20,043
Other comprehensive income	—	—	—	—	—	10	—	10
Loss for the period	—	—	—	—	—	—	(760)	(760)
Total comprehensive expenses for the period	—	—	—	—	—	10	(760)	(750)
At 31 December 2015 (unaudited)	<u>6,920</u>	<u>16,489</u>	<u>3,124</u>	<u>3,718</u>	<u>(383)</u>	<u>238</u>	<u>(10,813)</u>	<u>19,293</u>
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>—</u>	<u>3,718</u>	<u>(383)</u>	<u>226</u>	<u>(26,979)</u>	<u>29,324</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the three-month period ended 31 December 2016, the Group's turnover was only contributed by the distribution of innerwear of HK\$1.6 million (2015: HK\$7.4 million). No contribution from the distribution of casual wear and baby and children wear was made for this period (2015: HK\$1.7 million and HK\$4.4 million respectively).

Comparing this period ended 31 December 2016 with the one ended 31 December 2015, total turnover dropped by 88.4%. Because of the continuing economic depression in Europe and unstable political effect, European customers' orders have been decreasing significantly since early 2016. As a result, the Group's turnover for this period ended 31 December 2016 was significantly lower than that for the one ended 31 December 2015. We noted that sales to Europe would continue to decrease, during the 3-month period ended 31 December 2016, the Group started to set up distribution business of garment and other products in Mainland China.

FINANCIAL REVIEW

The turnover of the Group for the three months ended 31 December 2016 was approximately HK\$1.6 million, representing a decrease of 88.4% from the same period last year. Cost of sales of the Group decreased by 87.6% from HK\$12.6 million for the three months ended 31 December 2015 to HK\$1.6 million for the three months ended 31 December 2016. The decrease in cost of sales was mainly due to the decrease in sales order during the period.

LIQUIDITY AND FINANCIAL POSITION

As at 31 December 2016, cash and bank balances of the Group amounted to approximately HK\$26.2 million (As at 30 September 2016: HK\$35.6 million). The current ratios (current asset divided by current liabilities) of the Group were 12.8 times and 18.5 times as at 31 December 2016 and 30 September 2016 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 2016, the gearing ratio was 0% (2015: 0%). This ratio is calculated as total debt divided by total capital.

OUTLOOK

While the softening demand from the European market will continue to pose strong headwinds for the Group's distribution business, the upcoming financial period is expected to remain challenging. Despite this, the Group has initiated its varied and growth strategy and made good progress in the execution of its business plan to enhance the existing operations and develop new prospects for future growth.

Following the favourable development of the globalisation of Renminbi and the latest Shenzhen-Hong Kong Stock Connect program, underlying investment demand from Chinese investors will continue to surge as they look for investment opportunities with higher returns. Together the ongoing economic and financial reforms in China will continue to strengthen Hong Kong's role as a bridge between the mainland China and overseas markets. The capital market in Hong Kong will benefit from the influx of capital from China and investment from overseas investors into China.

Building on its unique advantages of human and financial resources, the Group is well positioned to seize the countless business opportunities arising from the prevailing trend in the Greater China region and Hong Kong. For the first quarter ended 31 December 2016, the Group entered into respective agreements to acquire Just In Time Finance Limited and Shining Securities Company Limited. The Group believes that these new business ventures will enable the Group to tap into the potential of financial services industry. Going forward, the Group will continue to enhance its existing operations while exploring the possibility of other business opportunities with the aim to create long term value for the shareholders of the Company. With the continued decrease in sales of the European market, during the 3-month period ended 31 December 2016, the Group started to set up distribution business of garment and other products in Mainland China.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2016, the Group has 7 directors and 8 employees. Total staff costs, including Directors' emoluments, amounted to approximately HK\$6.3 million for the three months ended 31 December 2016. 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.

CORPORATE GOVERNANCE REPORT

The Company has complied with the required code provisions set out in the Corporate Governance Code and Corporate Governance Report (the "Code") contained in Appendix 15 of the GEM Listing Rules during the three months ended 31 December 2016, except for the followings:

Under code provision A.2.1, the roles of chairman and chief executive officer ("CEO") should be separated and should not be performed by the same individual. Mr. Liu Sit Lun, who acted as the chairman of the Board and the CEO of the Company, was responsible for the overall business strategy and development and management of the Group. The Board meets regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Directors. The roles of the other executive Directors, who are in charge of different functions, complement the roles of the chairman and the CEO. The Board believes that this structure is conducive to strong and consistent leadership which enables the Group to operate efficiently. As such, the structure is beneficial to the Group and the shareholders of the Company as a whole.

However, with effect from 16 January 2017, Mr. Liu Sit Lun has resigned as the CEO of the Company and Ms. Lu Zhuo has been appointed as the CEO of the Company. Details of the changes are disclosed in the announcement of the Company dated 16 January 2017.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as the code of conduct regarding directors' securities transactions in securities of the Company. Upon the Company's specific enquiry, each Director confirmed that during the three months ended 31 December 2016, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

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

As at 31 December 2016, 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 Securities and Futures Ordinance (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 of Director	Capacity	Number of Shares	Percentage of the Company's issued share capital ^(Note 1)
Liu Sit Lun	Interest of controlled corporation ^(Note 2)	515,000,000	69.59%

Notes:

1. As at 31 December 2016, the number of Shares in issue was 740,000,000.
2. China Merit International Investment Inc. ("China Merit") is legally and beneficially owned as to 100% by Mr. Liu Sit Lun and Mr. Liu Sit Lun is therefore deemed to be interested in the Shares held by China Merit. Mr. Liu Sit Lun is also the sole director of China Merit.

Save as disclosed above, as at 31 December 2016, 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 2016, 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	Capacity	Number of Shares	Percentage of the Company's issued share capital ^(Note 1)
China Merit ^(Note 2)	Beneficial owner	515,000,000	69.59%
Hammer Capital Private Investments Limited	Person having a security interest in shares	515,000,000	69.59%
Quick Money Finance Limited	Person having a security interest in shares	515,000,000	69.59%
Yvonne Credit Service Co., Ltd	Person having a security interest in shares	515,000,000	69.59%

Notes:

1. As at 31 December 2016, the number of Shares in issue was 740,000,000.
2. China Merit is legally and beneficially owned as to 100% by Mr. Liu Sit Lun.

Save as disclosed above, as at 31 December 2016, 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 2016, 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 2016, 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.

SHARE OPTION SCHEME

A share option scheme (the “Scheme”) was adopted by the shareholders of the Company by way of written resolutions passed on 3 November 2010. Details of the Scheme are as follows:

(i) Purpose

The purpose of the Scheme is to attract and retain the best quality personnel for the development of the Company’s businesses; to provide additional incentive to the employees including any executive or non-executive director and officer of the Company or any affiliate, consultants, agents, representatives, advisers, customers, contractors, business allies and joint venture partners; and to promote the long-term financial success of the Company by aligning the interests of the option holders to the shareholders of the Company.

(ii) Qualifying participants

Any employee including any executive or non-executive director of the Company or any affiliate, any consultant, agent, representative, adviser, customer, contractor, business ally or joint venture partner of the Company or any affiliate.

(iii) Maximum number of shares

The total number of Shares which may be issued upon exercise of all options to be granted under the Scheme must not in aggregate exceed 10% of the issued share capital of the Company at the date of approval of the Scheme or 30% of the issued share capital of the Company from time to time. The maximum number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Scheme and any other share option scheme(s) of the Company must not, in aggregate, exceed 30% of the total number of issued shares of the Company from time to time.

(iv) Limit for each participant

The total number of Shares issued and to be issued upon exercise of options (whether exercised or outstanding) granted in any 12-month period to each participant must not exceed 1% of the Shares in issue.

(v) Option period

The period within which the Shares must be taken up under an option shall be determined by the Board in its absolute discretion at the time of grant, but such period must not exceed 10 years from the date of grant of the relevant option.

The Board has the authority to determine the minimum period for which an option must be held before it can vest. The Scheme itself does not specify any minimum holding period.

(vi) Acceptance and payment on acceptance

The options will be offered for acceptance for a period of 28 days from the date on which the options are offered to an eligible person. Upon acceptance of the options, the eligible person shall pay HK\$1 to the Company as consideration for the grant.

(vii) Subscription price

The subscription price for each Share subject to and upon the exercise of the options will be a price determined by the Board and notified to each participant and shall be at least the highest of (i) the closing price of each Share on GEM as stated in the daily quotations sheet of the Stock Exchange on the date of grant of the options, which must be a business day; (ii) the average closing price of each Share on GEM as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant of the option; and (iii) the nominal value of one Share.

(viii) Remaining life of the Option Scheme

The Scheme will remain valid for a period of 10 years commencing from 3 November 2010. As at the date of this announcement, no remaining life of the Scheme was presented due to the forfeiture of all outstanding options.

During the three months ended 31 December 2016, no share option had been granted under the Scheme and there was no outstanding share option under the Scheme as at the date of this announcement.

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 2016.

AUDIT COMMITTEE

The Company established an audit committee on 3 November 2010 with written terms of reference in compliance with the GEM Listing Rules. The audit committee has four members comprising all the independent non-executive Directors, namely, Ms. Sun Yuan as the chairman of the audit committee, Ms. Yang Haibi, Mr. Zhang Tianbao and Ms. Sun Huiyan.

The audit committee has reviewed the financial statements of the Company for the three months ended 31 December 2016 pursuant to the relevant provisions contained in the Code 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
Liu Sit Lun
Chairman

Hong Kong, 14 February 2017

As at the date of this announcement, the Board comprises three executive Directors, namely Mr. Liu Sit Lun (Chairman), Mr. Law Kin Wah Kenneth and Ms. Sun Wing Man Doris, and four independent non-executive Directors, namely Ms. Yang Haibi, Ms. Sun Yuan, Mr. Zhang Tianbao and Ms. Sun Huiyan.