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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)**

### **THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 JUNE 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](http://www.chinahanya.com.hk).*

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 June 2017

The board of Directors (the “Board”) present the unaudited condensed consolidated results of the Company and its subsidiaries (the “Group”) for the three months and nine months ended 30 June 2017 together with the comparative unaudited figures for the corresponding period in 2016, as follows:

	Note	Three months ended 30 June		Nine months ended 30 June	
		2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2016 HK\$'000 (unaudited)
Turnover	3	7,151	3,052	10,311	19,696
Cost of sales		(6,575)	(2,890)	(9,645)	(18,597)
Gross profit		576	162	666	1,099
Other revenue and other net income		(42)	33	271	65
Selling and distribution expenses		(87)	(132)	(318)	(861)
Administrative and other operating expenses		(3,062)	(2,525)	(20,068)	(5,898)
Loss before operations		(2,615)	(2,462)	(19,449)	(5,595)
Finance costs		—	—	—	(26)
Loss before tax	4	(2,615)	(2,462)	(19,449)	(5,621)
Income tax	5	(38)	—	(40)	—
<b>Loss for the period attributable to owners of the Company</b>		<b>(2,653)</b>	<b>(2,462)</b>	<b>(19,489)</b>	<b>(5,621)</b>
Other comprehensive income/ (expenses):					
Exchange differences arising on translation of foreign operations, with no income tax effects		99	(12)	150	(14)
<b>Total comprehensive expenses for the period attributable to owners of the Company</b>		<b>(2,554)</b>	<b>(2,474)</b>	<b>(19,339)</b>	<b>(5,635)</b>
Loss per share					
HK cent — Basic and diluted	7	(0.004)	(0.004)	(0.026)	(0.008)

# NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

*For the nine months ended 30 June 2017*

## 1. CORPORATE INFORMATION

The Company's principal place of business in Hong Kong is located at 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 distribution of apparel 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 policies 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 has been reviewed by the Company's audit committee.

## 3. TURNOVER AND SEGMENT INFORMATION

### Segment revenue and results

The Group is principally engaged in distributing apparel products and household products. For management purposes, the Group operates in one business unit based on its products. Although the goods are sold to domestic and overseas customers, the Group's Board of Directors, being the chief operating decision-maker ("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 nine months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
U.K.	1,085	9,436
Spain	—	3,605
Sweden	479	3,031
Hong Kong	—	2,608
The PRC, excluding Hong Kong	8,747	—
Others	—	1,016
	<hr/>	<hr/>
Total turnover	<b>10,311</b>	<b>19,696</b>

## Information about products

	For the nine months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Innerwear	2,322	12,795
Casual wear	—	2,503
Baby and children wear	—	4,398
Household products	7,989	—
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Total turnover	<b>10,311</b>	<b>19,696</b>

## Information about major customers

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

	For the nine months ended 30 June	
	2017 <i>HK\$'000</i> (unaudited)	2016 <i>HK\$'000</i> (unaudited)
Customer A	2,693	—
Customer B	2,625	—
Customer C	2,178	—
Customer D	—	9,436
Customer E	—	3,604
Customer F	—	3,031
Customer G	—	1,908
	<hr/>	<hr/>

#### 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 nine months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Salaries, wages and other benefits	12,363	1,736
Contributions to defined contribution retirement plans	207	32
	<u>12,570</u>	<u>1,768</u>

##### (b) Other items

	For the nine months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Auditor's remuneration	603	200
Cost of inventories	9,604	18,329
Depreciation on property, plant and equipment	114	127
Operating lease charges	75	139
Exchange loss, net	31	13
	<u>31</u>	<u>13</u>

##### (c) Finance costs

	For the nine months ended 30 June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Interest on bank advances wholly repayable within five years, being total interest expenses on financial liabilities not at fair value through profit or loss	—	26
	<u>—</u>	<u>26</u>

#### 5. INCOME TAX

No Hong Kong profits tax has been provided as the Group had no assessable profit for the nine months ended 30 June 2016 and 2017.

No provision for profits tax in the Cayman Islands or British Virgin Islands has been made as the Group has no assessable profit for the period in these jurisdictions (2016: Nil).

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the respective country/ jurisdiction in which the Group operates.

## 6. DIVIDEND

The Directors resolved not to declare the payment of any dividend for the nine months ended 30 June 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\$19,489,000 (2016: HK\$5,621,000) and the weighted average of 740,000,000 shares issued for the nine months ended 30 June 2017 (2016: 692,000,000).

### (b) Diluted loss per share

Diluted loss per share equals to the basic loss per share for both nine months' periods ended 30 June 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							
	Share capital	Share premium	Share-based compensation reserve	Capital reserve	Merger reserve	Translation reserve	Accumulated losses	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 October 2015 (audited)	6,920	16,489	3,124	3,718	(383)	228	(10,053)	20,043
Other comprehensive expenses	—	—	—	—	—	(14)	—	(14)
Loss for the period	—	—	—	—	—	—	(5,621)	(5,621)
Loss and total comprehensive expense for the period	—	—	—	—	—	(14)	(5,621)	(5,635)
Forfeiture of share options	—	—	(3,124)	—	—	—	3,124	—
At 30 June 2016 (unaudited)	6,920	16,489	—	3,718	(383)	214	(12,550)	14,408
At 1 October 2016 (audited)	7,400	45,342	—	3,718	(383)	226	(17,516)	38,787
Other comprehensive income	—	—	—	—	—	150	—	150
Loss for the period	—	—	—	—	—	—	(19,489)	(19,489)
At 30 June 2017 (unaudited)	7,400	45,342	—	3,718	(383)	376	(37,005)	19,448

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

For the three months ended 30 June 2017, the Group's turnover was approximately HK\$7.2 million, which was 2.3 times of the turnover in last year's corresponding period, and was 4.5 times of the turnover for the three months ended 31 March 2017. After six months of development of the distribution business of garment and other products in the PRC (excluding Hong Kong) since December 2016, the Group had strengthened its client base and increased its sales volume significantly. The Group will step up its sales and marketing effort in expanding its client base, and the Group expects the distribution business in the PRC (excluding Hong Kong) would continue the growth in sales volume and revenue contribution to the Group in the final quarter of the Group's 2017 financial year.

Total turnover for the nine months ended 30 June 2017 was approximately HK\$10.3 million (2016: HK\$19.7 million), of which 77% was attributable to household products under the Group's distribution business and it would be the focus of the Group's distribution business going forward. Turnover in the PRC (excluding Hong Kong) for the nine months ended 30 June 2017 accounted for 85% of the Group's total turnover.

### **FINANCIAL REVIEW**

The turnover of the Group for the nine months 30 June 2017 was approximately HK\$10.3 million, representing a decrease of 47.6% from the same period last year. Cost of sales of the Group decreased by 48.1% from HK\$18.6 million for the nine months ended 30 June 2016 to approximately HK\$9.6 million for the nine months ended 30 June 2017. The decrease in cost of sales was mainly due to the decrease in sales order during the period.

### **LIQUIDITY AND FINANCIAL POSITION**

At 30 June 2017, cash and bank balances of the Group amounted to approximately HK\$15.4 million (At 30 September 2016: HK\$35.6 million). The current ratios (current asset divided by current liabilities) of the Group were 3.95 times and 18.5 times as at 30 June 2017 and 30 September 2016 respectively.

### **CAPITAL MANAGEMENT**

The Group's objectives for managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners 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 capital by using gearing ratio. As at 30 June 2017, the gearing ratio was 0% (2016: 0%). This ratio is calculated as dividing total debt from time to time by total capital.

## FUND RAISING ACTIVITY

On 9 September 2016, an aggregate of 48,000,000 shares were placed at the placing price of HK\$0.63 per share by the Company. The net proceeds from the placing were HK\$29,333,000, in which HK\$2 million was used to acquire companies in finance industry (HK\$1 million to acquire Just In Time Finance Limited, which is principally engaged in money lending business another HK\$1 million was paid as deposit to acquire Shining Securities Company Limited and is principally engaged in securities and futures brokerage business), which was consistent with the Group's strategy of investing in finance industry but it was changed from the original plan of investing in insurance brokerage business as no suitable target company was identified. Besides, HK\$5 million was used to set up 深圳前海瀚亞貿易有限公司, which is principally engaged in distribution business front of garment and household products in the PRC. The rest of the net proceeds was used to finance the Company's administrative and other operating expenses (operating loss for September 2016 amounting to HK\$2.3 million, operating loss for nine months ended 30 June 2017 amounting to HK\$12.9 million) and acquisition of fixed assets amounting to HK\$0.7 million. A remaining balance of the unutilized net proceeds was HK\$6.4 million as at 30 June 2017, which will be used with the proposed allocations as set out in the announcement dated 9 September 2016.

## OUTLOOK

On 16 January 2017, Handsome Global Investments Limited ("Handsome Global"), a company wholly-owned by Yun Ligu, acquired 69.59% of the issued capital of the Company and became a new controlling shareholder of the Company.

Turnover of the Group for the three months ended 30 June 2017 was significantly improved compared to the corresponding period in 2016 as a result of the out-performing distribution of household products 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. The Group has made good progress in the execution of its business plan and expanding its client base during the third quarter ended 30 June 2017.

Following the successful launch of Shenzhen-Hong Kong Stock Connect Program, Shanghai-Hong Kong Stock Connect Program and the latest China-Hong Kong Bond Connect program in Hong Kong financial market, the Group anticipates the investment demand from the PRC (excluding Hong Kong) will continue to surge as they continue to look for offshore investment opportunities with higher returns. In view of that, the Group will continue to explore suitable investment and work on the possible opportunities in the finance industry for bringing returns for all shareholders of the Company.

Subject to the future business development plan and the market conditions, the Group shall devote additional personnel, technology, financial and other resources to enhance and develop the Group's existing business, as well as continuing to explore the other business opportunities with an aim to create long term value for the shareholders of the Company.



## **EMPLOYEES AND REMUNERATION POLICY**

As at 30 June 2017, the Group has 7 directors and 5 employees. Total staff costs, including Directors' emoluments, amounted to approximately HK\$12.6 million for the nine months ended as at 30 June 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 optimizing their future contributions to the Group. Up to the date of this announcement, there is no option existing under the share option scheme.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES**

During the period under review, neither the Company nor any one of its subsidiaries purchased, redeemed or sold any of the Company's shares.

## **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 Ms. Sun Huiyan and one non-executive Director, namely Ms. Yang Haibi.

The audit committee has reviewed the financial statements of the Group for the nine months ended as at 30 June 2017 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 to 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, 11 August 2017

*As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Lu Zhuo and Mr. Yun Ligu, two non-executive Directors, namely Mr. Cheung Lit Wan Kenneth and Ms. Yang Haibi, and three independent non-executive Directors, namely Mr. Leung Ka Wo, Mr. Zhang Tianbao and Ms. Sun Huiyan.*