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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 30 SEPTEMBER 2017 AND RETIREMENT OF DIRECTOR

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 in 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 (the "Board") of Directors of the Company is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "Group") for the year ended 30 September 2017, together with the comparative figures for the year ended 30 September 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 30 September 2017

	Notes	**2017** *HK$'000*	2016 *HK$'000*
Revenue	4	**32,019**	23,122
Cost of sales		**(29,315)**	(21,854)
Gross profit		**2,704**	1,268
Other income, gains and losses	5	**(1,675)**	21
Selling and distribution expenses		**(541)**	(1,035)
Administrative expenses		**(22,266)**	(10,815)
Finance costs	6	**(20)**	(26)
Loss before taxation	7	**(21,798)**	(10,587)
Taxation	8	**(568)**	—
Loss for the year attributable to owners of the Company		**(22,366)**	(10,587)
Loss per share *(HK cents)*	10		
Basic		**(3.02)**	(1.52)
Diluted		**N/A**	(1.52)

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 September 2017

	2017	2016
	HK$'000	*HK$'000*
Loss for the year	**(22,366)**	(10,587)
Other comprehensive income (expense)		
Item that may be subsequently reclassified to profit or loss:		
Exchange differences arising on translation of foreign operation	**235**	(2)
Total comprehensive expense for the year attributable to the owners of the Company	**(22,131)**	(10,589)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 September 2017

	Notes	2017 HK$'000	2016 HK$'000
Non-current assets			
Property, plant and equipment		**648**	882
Investment property		**845**	—
Deposit paid for acquisition of a subsidiary		**—**	200
Deposit paid for acquisition of plant and equipment		**—**	704
		1,493	1,786
Current assets			
Trade receivables, deposits, other receivables and prepayments	11	**18,687**	2,147
Held-for-trading investments		**—**	1,349
Bank balances and cash		**15,479**	35,625
		34,166	39,121
Current liabilities			
Trade payables	12	**11,033**	824
Other payables and accrued charges		**1,561**	1,296
Tax payables		**520**	—
Loan from a shareholder		**5,889**	—
		19,003	2,120
Net current assets		**15,163**	37,001
Net assets		**16,656**	38,787
Capital and reserves			
Share capital		**7,400**	7,400
Reserves		**9,256**	31,387
Total equity		**16,656**	38,787

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 September 2017

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its immediate and ultimate holding company is Handsome Global Investments Limited ("Handsome Global"), incorporated in the British Virgin Islands and the ultimate controlling shareholder of Handsome Global is Mr. Yun Liguo ("Mr. Yun"), the executive director of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in "Corporate Information" section of the annual report.

On 13 January 2017, China Merit International Investment Inc. ("China Merit"), the former immediate and ultimate holding company, disposed of an aggregate of 515,000,000 shares of the Company, representing 69.59% of the then total share capital of the Company at a cash consideration of HK$336,240,000 to Handsome Global.

The Company is an investment holding company.

The consolidated financial statements are presented in Hong Kong dollars ("HK$"), which is also the functional currency of the Company.

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

In the current year, the Group has applied the following amendments to HKFRSs and Hong Kong Accounting Standards ("HKASs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") for the first time:

Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations
Amendments to HKAS 1	Disclosure initiative
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle

The application of the above amendments to HKFRSs and HKASs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

New and revised HKFRSs in issue but not yet effective

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

HKFRS 9	Financial instruments[2]
HKFRS 15	Revenue from contracts with customers and the related amendments[2]
HKFRS 16	Leases[3]
Amendments to HKAS 7	Disclosure initiative[1]
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses[1]
Amendments to HKAS 40	Transfers of investment property[2]
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions[2]
Amendments to HKFRS 4	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts[2]
Amendments to HKFRS 9	Prepayments features with negative compensation[3]
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture[5]
Amendments to HKFRSs	Annual improvements to HKFRSs 2014–2016 cycle[4]
HK(IFRIC) — Int 22	Foreign currency transactions and advance consideration[2]
HK(IFRIC) — Int 23	Uncertainty over income tax treatments[3]

1 Effective for annual periods beginning on or after 1 January 2017.
2 Effective for annual periods beginning on or after 1 January 2018.
3 Effective for annual periods beginning on or after 1 January 2019.
4 Effective for annual periods beginning on or after 1 January 2017 or 1 January 2018, as appropriate.
5 Effective for annual periods beginning on or after a date to be determined.

HKFRS 9 "Financial instruments"

HKFRS 9 introduces new requirements for the classification and measurement of financial assets, financial liabilities, general hedge accounting and impairment requirements for financial assets.

Key requirements of HKFRS 9 which are relevant to the Group are related to the impairment of financial assets. HKFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under HKAS 39 "Financial instruments: Recognition and measurement". The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

The directors of the Company have reviewed the Group's financial assets as at 30 September 2017 and anticipate that the application of HKFRS 9 in the future may result in early recognition of credit losses based on expected loss model in relation to the Group's financial assets measured at amortised cost and is not likely to have other material impact on the results and financial position of the Group based on an analysis of the Group's existing business model.

HKFRS 15 "Revenue from contracts with customers"

HKFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. HKFRS 15 will supersede the current revenue recognition guidance including HKAS 18 "Revenue", HKAS 11 "Construction contracts" and the related interpretations when it becomes effective.

The core principle of HKFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, HKFRS 15 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under HKFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in HKFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by HKFRS 15.

In 2016, the HKICPA issued clarifications to HKFRS 15 in relation to the identification of performance obligations, principal versus agent considerations, as well as licensing application guidance.

The directors of the Company anticipate that the application of HKFRS 15 in the future will not have a material impact on the amounts reported to the consolidated financial statements of the Group in the future based on the existing business model of the Group as at 30 September 2017.

HKFRS 16 "Leases"

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. HKFRS 16 will supersede HKAS 17 "Leases" and the related interpretations when it becomes effective.

HKFRS 16 distinguishes lease and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases and finance leases are removed for lease accounting, and is replaced by a single model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees, except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. For the classification of cash flows, the Group currently presents operating lease payments as operating cash flows. Under the HKFRS 16, lease payments in relation to lease liability will be allocated into a principal and an interest portion which will be presented as financing cash flows.

Furthermore, extensive disclosures are required by HKFRS 16.

At 30 September 2017, the Group, as lessee, has non-cancellable operating lease commitments of HK$180,000. A preliminary assessment indicates that these arrangements will meet the definition of a lease under HKFRS 16, and hence the Group will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of HKFRS 16. In addition, the application of new requirements may result in changes in measurement, presentation and disclosure as indicated above.

Amendments to HKAS 7 "Disclosure initiative"

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities including changes arising from cash flows and non-cash changes. Specifically, the amendments require the following changes in liabilities arising from financing activities to be disclosed: (i) changes from financing cash flows; (ii) changes arising from obtaining or losing control of subsidiaries or other businesses; (iii) the effect of changes in foreign exchange rates; (iv) changes in fair values; and (v) other changes.

The amendments apply prospectively for annual periods beginning on or after 1 October 2017 with earlier application permitted. The application of the amendments will result in additional disclosures on the Group's financing activities, specifically reconciliation between the opening and closing balances in the consolidated statement of financial position for liabilities arising from financing activities will be provided on application.

Except as disclosed above, the directors of the Company anticipate that the application of the other new and revised HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with the following accounting policies which conform with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Growth Enterprise Market of the Stock Exchange (the "GEM Listing Rules") and by the disclosure requirements of the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value under HKFRS 13 "Fair value measurement" is an exit price regardless of whether that price is directly observable or estimated using another valuation technique. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use for the purposes of impairment assessment in HKAS 36 "Impairment of assets".

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

4. 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. During the year ended 30 September 2017, the Group expands its product mix to include household products and 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 year ended 30 September 2017

	Distribution of household products *HK$'000*	**Distribution of garment products** *HK$'000*	**Total** *HK$'000*
Revenue			
External sales	**22,136**	**9,883**	**32,019**
Segment profit	**1,997**	**707**	**2,704**
Other income, gains and losses			**(1,675)**
Unallocated expenses			**(22,827)**
Loss before taxation			**(21,798)**

For the year ended 30 September 2016

	Distribution of household products *HK$'000*	Distribution of garment products *HK$'000*	Total *HK$'000*
Revenue			
External sales	—	23,122	23,122
Segment profit	—	1,268	1,268
Other income, gains and losses			21
Unallocated expenses			(11,876)
Loss before taxation			(10,587)

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in note 3. Segment result represents the profit earned by each product mix segment without allocation of other income, gains and losses, selling and distribution expenses, administrative 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:

	2017	2016
	HK$'000	*HK$'000*
Household products	**22,136**	—
Innerwear	**9,883**	15,243
Casual wear	**—**	3,481
Baby and children wear	**—**	4,398
	32,019	23,122

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 Sweden, the United Kingdom (the "U.K.") and the PRC (2016: Sweden, the U.K., Spain and Hong Kong).

The Group's revenue from external customers by geographical location of customers irrespective of the origin of the goods and its non-current assets by geographical location of the assets are detailed below:

	Revenue from external customers		**Non-current assets**	
	2017	2016	**2017**	2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
Sweden	**479**	4,052	**—**	—
The U.K.	**1,085**	11,879	**—**	—
PRC	**30,455**	—	**35**	—
Spain	**—**	3,568	**—**	—
Hong Kong	**—**	2,608	**1,458**	1,786
Others	**—**	1,015	**—**	—
	32,019	23,122	**1,493**	1,786

Information about major customers

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

	2017 *HK$'000*	2016 *HK$'000*
Customer A	**N/A[1]**	11,879
Customer B	**N/A[1]**	4,052
Customer C	**Nil**	3,568
Customer D	**7,326**	Nil
Customer E	**4,437**	Nil
Customer F	**3,800**	Nil
Customer G	**3,688**	Nil

[1] The corresponding revenue did not contribute over 10% of the total revenue of the Group.

5. OTHER INCOME, GAINS AND LOSSES

	2017 *HK$'000*	2016 *HK$'000*
Change in fair value of held-for-trading investments	**176**	(78)
Gain on disposal of property, plant and equipment	**138**	—
Bank interest income	**4**	—
Dividend income from held-for-trading investments	**—**	99
Rental income from investment property	**7**	—
Written-off of intangible asset	**(1,000)**	—
Impairment made for the deposit paid for acquisition of a subsidiary *(Note)*	**(1,000)**	—
	(1,675)	21

Note: On 3 November 2016, the Company, Shining Investment Holdings Limited ("Vendor") and Mr. Cheung Sze Hon, the beneficial owner of the Vendor and an independent third party to the Group, entered into a sale and purchase agreement ("SPA") pursuant to which the Vendor conditionally agreed to sell, and the Company conditionally agreed to purchase, the entire issued share capital of Shining Securities Company Limited ("Target Company") at a consideration of HK$24,000,000 ("Acquisition I"). Completion of the Acquisition I was conditional upon certain conditions precedent being fulfilled according to the SPA. Further details of the Acquisition I are set out in the Company's announcement dated 3 November 2016.

Since not all of the conditions precedent as stated in the SPA had been fulfilled by the long stop date, i.e. 3 May 2017, the SPA lapsed on the same date ("Termination"). Details of the Termination are set out in the Company's announcement dated 4 May 2017.

In accordance with the clause of the SPA, the Company had made a deposit in the amount of HK$1,000,000 to the Vendor ("Deposit") in November 2016. The directors of the Company take the view that the Deposit shall be returned to the Company by the Vendor pursuant to the terms of the SPA and had officially demanded the Vendor to return the Deposit to the Company after the Termination. Meanwhile, up to the date of approval of the consolidated financial statements, the Deposit has not yet been refunded to the Company by the Vendor and the Company is still in the process of recovering the Deposit from the Vendor.

Due to the prolonged process in arriving at a repayment schedule and uncertainty in the recoverability of the Deposit, the directors of the Company are in the opinion that the Deposit is unlikely to be recovered in the foreseeable future though the Company will continue to recover the Deposit, and accordingly an impairment allowance of HK$1,000,000 was recognised in consolidated statement of profit or loss for the year ended 30 September 2017.

6. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank borrowings	**—**	26
Interest on loan from a shareholder	**20**	—
	20	26

7. LOSS BEFORE TAXATION

	2017	2016
	HK$'000	*HK$'000*
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	**500**	500
Cost of inventories recognised as an expense	**29,315**	21,854
Depreciation of property, plant and equipment	**147**	58
Minimum lease payment in respect of premises under operating leases	**174**	174
Legal and professional fees	**3,552**	2,925
Staff costs including directors' emoluments		
— Salaries and other benefits	**9,338**	4,353
— Contributions to retirement benefits schemes	**169**	289
— Discretionary retirement payment *(Note)*	**5,315**	—
Total staff costs	**14,822**	4,642

Note: During the year ended 30 September 2017, approximately HK$5,315,000 was paid to Mr. Ko Chun Hay, Kelvin, who resigned as the director of the Company on 20 May 2016 but remained a director of certain Company's subsidiaries until 6 February 2017, as a one-off discretionary retirement payment for his services of directorship of those Company's subsidiaries.

8. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Current tax charge in the PRC	**568**	—

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

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 years.

9. DIVIDENDS

No dividend was paid or proposed during the year ended 30 September 2017, nor has any dividend been proposed since the end of the reporting period (2016: nil).

10. LOSS PER SHARE

The calculation of the basic and diluted loss per share attributable to the owners of the Company is based on the following data:

Loss

	2017	2016
	HK$'000	*HK$'000*
Loss for the purposes of basic and diluted loss per share:		
Loss for the year attributable to owners of the Company	**(22,366)**	(10,587)

Number of shares

	2017	2016
Weighted average number of ordinary shares in issue for the purposes of basic and diluted loss per share	**740,000,000**	694,754,098

The Group has no potentially dilutive ordinary shares in issue during the year ended 30 September 2017. The computation of diluted loss per share for the year ended 30 September 2016 does not assume the exercise of the Company's share options as they would reduce loss per share.

11. TRADE RECEIVABLES, DEPOSITS, OTHER RECEIVABLES AND PREPAYMENTS

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**10,478**	1,975
Deposits made to suppliers	**7,454**	—
Other receivables and prepayments	**755**	172
	18,687	2,147

The following is an ageing analysis of trade receivables presented based on the invoice date at the end of each reporting period and aging analysis of trade receivables presented based on the date of issuance of the invoice at the end of each reporting period.

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**9,621**	748
31–60 days	**857**	1,227
	10,478	1,975

The Group's credit terms for its major customers are usually within 45 days.

Before accepting any new customers, the Group assesses the potential customer's credit quality by investigating their historical credit record and defines credit limits by customers on individual basis. Recoverability and credit limit of the existing customers are reviewed by the Group regularly. The Group's entire trade receivables balances net of allowance for impairment are neither past due nor impaired. The directors of the Company considered that trade receivables which are neither past due nor impaired are of good settlement records and there are continuous subsequent settlements from these customers. The Group does not hold any collateral over trade receivables.

All receivables as at 30 September 2017 and 2016 were neither past due nor impaired and the entire amount were subsequently settled, and thus the Group has not provided for impairment loss on trade receivables for both years.

12. TRADE PAYABLES

The following is an ageing analysis of trade payables, presented based on the invoice date at the end of the reporting period:

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**11,033**	824

The credit periods on purchases of goods are usually from 1 month to 3 months.

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of China Hanya Group Holdings Limited (the "Company") and its subsidiaries (the "Group"), I would like to present to the shareholders of the Company the annual results and audited consolidated financial statements of the Group for the year ended 30 September 2017.

Following the completion of the general offer by Handsome Global Investments Limited (the "Offeror") in March 2017, the Offeror became the new controlling shareholder of the Company since then. A review of the business operations and financial position of the Group has been conducted for the purpose of developing a sustainable business plan or strategy for the Group, and decided to explore possible opportunities in the financial industry.

DISTRIBUTION BUSINESS

The Group has been focusing on the distribution business, being the provision of distribution and supply chain management services specialising in procurement of garment and textile products since 2014, following the cessation of the manufacturing arm that had been underperforming due to the competitive environment of the manufacturing sector. The key market was used to be the European market by then.

In December 2016, the Group started to set up distribution business of garment and other products in Mainland China, in view of significant decrease of European customers' orders since early 2016 resulting from the sluggish economy in Europe and the market potential in Mainland China. Such strategic business development helped the Group to diversify its markets of distribution business and focus on the growing market. During the year, the Group has also strengthen the sales and operation team by expanding its key personnel to capture the growth in the distribution business. On the other hand, the Group also expand its product mix to include household products in Mainland China market.

FINANCIAL SERVICES BUSINESS

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 its shareholders' value, which may cover, among others, the financial services industry.

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 out type 4 (advising on securities) and type 9 (asset management) regulated activities under the Securities and Futures Ordnance (Chapter 571 of the Laws of Hong Kong) (the "SFO"). The Group also acquired Just In Time Finance Limited on 30 November 2016, which was incorporated in Hong Kong with money lenders license in Hong Kong.

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

PROSPECTS

The decline of distribution business of the Group during the period of establishing the new business focus in the China market is transitional, and with the improving financial performance of the distribution business attributable to the China market, the recovery of the distribution business and the resulting improvement of the overall financial performance would be sustainable. Meanwhile the Group has diversified its business into financial services business, which the Group believes will bring return to the Group in the long run.

APPRECIATION

I would like to take this opportunity to extend my sincere gratitude to all our shareholders and business partners for their continued support and confidence in the Group. I would also like to express my appreciation to our management team and staff for their efforts and significant contributions in the past and in the years to come.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial results for the year ended 30 September 2017

	2017 *HK$'000*	2016 *HK$'000*	**Change in percentage**
Revenue	**32,019**	23,122	38.5%
Gross profit	**2,704**	1,268	113.2%
Loss attributable to the owners of the Company	**(22,366)**	(10,587)	(111.3%)
Loss per share *(HK cents)*	**(3.02)**	(1.52)	(98.7%)

The revenue and cost of sales for the year ended 30 September 2017 was approximately HK$32.0 million and HK$29.3 million (2016: HK$23.1 million and HK$21.9 million), respectively. The gross profit was approximately HK$2.7 million at gross profit margin of 8.4%. Loss for the year attributable to owners has increased by HK$11.8 million from approximately HK$10.6 million for the year ended 30 September 2016 to HK$22.4 million for the year ended 30 September 2017. It was mainly due to the exceptionally high administrative expenses incurred during the year, which includes (i) one-off discretionary retirement payment of approximately HK$5.3 million and (ii) legal and professional expenses (including consultancy fee) of approximately HK$3.6 million incurred mainly due to the one-off corporate exercises of the Group taken place during the year.

LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2017, cash and bank balances of the Group amounted to approximately HK$15.5 million (At 30 September 2016: HK$35.6 million). The current ratio (current asset divided by current liabilities) of the Group was 1.8 times and 18.5 times as at 30 September 2017 and 2016, respectively. In view of the Group's current level of cash and bank balances, the Board is confident that the Group will have sufficient resources to meet its finance needs for its current operations as well as its new businesses.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 30 September 2017 (for the year ended 30 September 2016: Nil).

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 capital on the basis of the gearing ratio. As at 30 September 2017, the gearing ratio was 35.4% (2016: 0%). This ratio is calculated as total debt divided by total capital.

CAPITAL COMMITMENT

As at the end of 30 September 2017, the Group does not have any significant capital commitment.

FOREIGN CURRENCY EXPOSURE

Presently, there is no hedging policy with respect to the foreign exchange exposure. The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currency giving rise to this risk is primarily Renminbi.

CONTINGENT LIABILITIES

As at 30 September 2017, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS

As at 30 September 2017, the Group did not have any significant investment plans.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 September 2017.

MATERIAL ACQUISITIONS OR DISPOSALS

Just In Time Finance Limited

On 24 October 2016, the Company entered into a sale and purchase agreement with Ms. Cheung Ching Ching Daisy, pursuant to which Ms. Cheung agreed to sell and the Company agreed to purchase the entire issued shares of Just In Time Finance Limited at a consideration of HK$1,000,000. Just In Time Finance Limited holds a money lenders licence under the Money Lenders Ordinance (Chapter 163 of the Laws of Hong Kong).

The acquisition was completed on 30 November 2016.

For details of the acquisition, please refer to the Company's announcement dated 24 October 2016.

Shining Securities Company Limited

On 3 November 2016, the Company entered into a sale and purchase agreement (the "SPA") with Shining Investment Holdings Limited (the "Vendor") and Mr. Cheung Sze Hon to conditionally acquire Shining Securities Company Limited (the "Target Company"), a licensed corporation to carry out type 1 (dealing in securities) and type 2 (dealing in futures contracts) regulated activities under the SFO (the "Acquisition"). Details of the Acquisition are disclosed in the announcement of the Company dated 3 November 2016.

Completion of the Acquisition was conditional upon certain conditions precedent being fulfilled and remained fulfilled (or waived by the Company) for the Company's inspection within six months from the date of the SPA or by such other later date as the parties may mutually agree in writing (the "Long Stop Date"), failing which the SPA shall immediately lapse and none of the parties to the SPA shall have any obligations and liabilities towards each other save for any antecedent breaches of the SPA.

Since not all of the conditions precedent as stated in the SPA had been fulfilled by the Long Stop Date, i.e. 3 May 2017, the SPA lapsed on the same date (the "Termination"). The Board considered that the Termination was in the interests of the Company and its shareholders as a whole and would have no material adverse impact on the financials and operations of the Group. The Company announced the Termination on 4 May 2017.

In accordance with the provisions of the SPA, the Company had made a deposit in the amount of HK$1,000,000 to the Vendor (the "Deposit"). The Company takes the view that the Deposit shall be returned to the Company by the Vendor pursuant to the terms of the SPA and had officially demanded the Vendor to return the Deposit to the Company. However, the Vendor refused to return the Deposit to the Company. Subsequently, in October 2017, the Company engaged a firm of solicitors to recover the Deposit from the Vendor. The firm of solicitors has since made several attempts to contact the Vendor and demand return of the Deposit, but to no avail. The Company would continue its efforts to recover the Deposit from the Vendor.

Given the Vendor's previous refusal to return the Deposit to the Company, it may be expected that the Vendor may contest in potential legal proceedings brought by the Company against it. Accordingly, any such legal proceedings may be prolonged. Also, the result of such legal proceedings could be uncertain.

Save as disclosed above, there were no other material acquisition or disposal of subsidiaries or associates during the year under review.

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2017, the Group has 13 employees. Total staff costs, including Directors' emoluments and share-based payment, amounted to approximately HK$14.8 million for the year ended 30 September 2017 (for the year ended 30 September 2016: HK$4.6 million). 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, provident fund, education subsidy and training 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.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the identity of the shareholders of the Company entitled to attend and vote at the forthcoming annual general meeting (the "2018 AGM") to be held on Tuesday, 6 February 2018, the register of members of the Company will be closed from Wednesday, 31 January 2018 to Tuesday, 6 February 2018, both days inclusive, during the period no transfer of shares will be effected. All transfers accompanied by the relevant certificates must be lodged with the Company's branch share registrar in Hong Kong, Union Registrars Limited at Suites 3301–04, 33/F, Two Chinachem Exchange Square, 338 King's Road, North Point, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 January 2018.

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

During the year ended 30 September 2017, the Company 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 year ended 30 September 2017, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 30 September 2017, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's listed securities.

CORPORATE GOVERNANCE PRACTICES

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 to the GEM Listing Rules during the year ended 30 September 2017, except for the following:

Under code provision A.2.1, the roles of chairman and chief executive officer (the "CEO") should be separated and should not be performed by the same individual. Mr. Liu Sit Lun ("Mr. Liu"), the former chairman of the Board and the former CEO of the Company, was responsible for the overall business strategy and development and management of the Group. With effect from 16 January 2017 and 27 March 2017, Mr. Liu has resigned as the CEO of the Company and the chairman of the Board respectively. Ms. Lu Zhuo has been appointed as the CEO of the Company and the chairman of the Board on 16 January 2017 and 27 March 2017 respectively. 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 Directors 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.

AUDIT COMMITTEE

The Company has established an audit committee (the "Audit Committee") on 3 November 2010 with written terms of reference in compliance with the GEM Listing Rules. As at the date of this announcement, the Audit Committee has four members comprising all the 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 audited consolidated financial statements of the Company for the year ended 30 September 2017 have been reviewed by the Audit Committee.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 30 September 2017 as set out in the preliminary announcement have been agreed by the Group's auditors, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

RETIREMENT OF DIRECTOR

The Board announces that Ms. Sun Huiyan ("Ms. Sun") will retire from office as independent non-executive Director by rotation at the 2018 AGM pursuant to article 108 of the Articles of Association of the Company.

Ms. Sun confirmed that she will not offer herself for re-election at the 2018 AGM as she would like to commit more time on pursuance of her own business.

Ms. Sun also confirmed that she has no disagreement with the Board and there is no other matter relating to her retirement that needs to be brought to the attention of the shareholders of the Company or the Stock Exchange.

Following the retirement of Ms. Sun as independent non-executive Director, Ms. Sun will also cease to be a member of each of the Audit Committee, remuneration committee and nomination committee of the Company. The Board is now in the course of identifying a suitable candidate to fill the position of independent non-executive Director as soon as practicable. Further announcement will be made by the Company if and when appropriate.

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

Hong Kong, 20 December 2017

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