



中國瀚亞

CHINA HANYA

CHINA HANYA GROUP HOLDINGS LIMITED

(Incorporated in the Cayman Islands with limited liability)

Stock Code: 8312

**2018
THIRD
QUARTERLY
REPORT**

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

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This report, for which the directors (the “Directors”) of China Hanyu 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 purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report, in both English and Chinese versions, is available on the Company’s website at www.chinahanya.com.hk.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 30 June 2018

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 2018 together with the comparative unaudited figures for the corresponding period in 2017, as follows:

	Notes	Three months ended 30 June		Nine months ended 30 June	
		2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Revenue	3	24,147	7,151	99,637	10,311
Cost of sales		(22,163)	(6,575)	(90,650)	(9,645)
Gross profit		1,984	576	8,987	666
Other income, gains and losses		46	(42)	134	271
Selling and distribution expenses		(558)	(87)	(1,287)	(318)
Administrative and other operating expenses		(4,105)	(3,062)	(11,346)	(20,068)
Finance costs		(122)	—	(212)	—
Loss before tax	4	(2,755)	(2,615)	(3,724)	(19,449)
Income tax	5	—	(38)	(171)	(40)
Loss for the period attributable to owners of the Company		(2,755)	(2,653)	(3,895)	(19,489)
Other comprehensive income/(expenses):					
Exchange differences arising on translation of foreign operations, with no income tax effects		(695)	99	(97)	150
Total comprehensive expenses for the period attributable to owners of the Company		(3,450)	(2,554)	(3,992)	(19,339)
Loss per share					
Basic and diluted (HK cents)	7	(0.372)	(0.359)	(0.526)	(2.634)

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 June 2018

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability and was registered as a non-Hong Kong company under part XVI of the Hong Kong Companies Ordinance on 12 November 2010. 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.

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 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.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 June 2018

2. BASIS OF PREPARATION (Continued)

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. 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.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION (Continued)

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

For the nine months ended 30 June 2018

	Distribution of household products HK\$'000 (Unaudited)	Distribution of garment products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue			
External sales	73,920	25,717	99,637
Segment profit	7,260	1,727	8,987
Other income, gains and losses			134
Unallocated expenses			(12,845)
Loss before taxation			(3,724)

For the nine months ended 30 June 2017

	Distribution of household products HK\$'000 (Unaudited)	Distribution of garment products HK\$'000 (Unaudited)	Total HK\$'000 (Unaudited)
Revenue			
External sales	7,989	2,322	10,311
Segment profit	570	96	666
Other income, gains and losses			271
Unallocated expenses			(20,386)
Loss before taxation			(19,449)

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION (Continued)

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 nine months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Household products	73,920	7,989
Clothing products (other than innerwear)	24,149	—
Innerwear	1,568	2,322
	99,637	10,311

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION (Continued)

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 and Hong Kong (2017: the PRC, the United Kingdom (the "U.K.") and Sweden).

	For the nine months ended	
	30 June	
	2018	2017
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
The PRC, excluding Hong Kong	91,571	8,747
Hong Kong	8,066	—
U.K.	—	1,085
Sweden	—	479
	99,637	10,311

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 June 2018

3. REVENUE AND SEGMENT INFORMATION (Continued)

Information about major customers

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

	For the nine months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Customer A <i>(Note)</i>	4,497	2,693
Customer B	—	2,625
Customer C	12,756	2,178
Customer D	58,235	—
Customer E	16,083	—

Note: The revenue from the customer contributed less than 10% of total revenue during the current period.

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	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Salaries, wages and other benefits	7,990	12,363
Contributions to defined contribution retirement plans	147	207
	8,137	12,570

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 June 2018

4. LOSS BEFORE TAX (Continued)

(b) Other items

	For the nine months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Auditor's remuneration	678	603
Cost of inventories	90,650	9,604
Operating lease charges	94	75
Exchange loss, net	172	31
Depreciation on property, plant and equipment	101	114
Depreciation on an investment property	14	—
Write-off of items of property, plant and equipment	17	—

(c) Finance costs

	For the nine months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Interest on loan from a shareholder	212	—

5. INCOME TAX

	For the nine months ended 30 June	
	2018 HK\$'000 (unaudited)	2017 HK\$'000 (unaudited)
Current tax charge in the PRC	171	—

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 June 2018

5. INCOME TAX (Continued)

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 do not declare any dividend for the nine months ended 30 June 2018 (2017: 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\$3,895,000 (2017: HK\$19,489,000) and the weighted average of 740,000,000 shares issued for the nine months ended 30 June 2018 (2017: 740,000,000).

(b) Diluted loss per share

Diluted loss per share equals to the basic loss per share for both nine months’ periods ended 30 June 2017 and 2018.

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the nine months ended 30 June 2018

8. MOVEMENT OF RESERVE

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

	Attributable to owners of the Company							Total
	Share capital	Share premium	PRC statutory reserve	Capital reserve	Merger reserve	Translation reserve	Accumulated losses	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
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
At 1 October 2017 (audited)	7,400	45,342	—	3,718	(383)	461	(39,882)	16,656
Other comprehensive expense	—	—	—	—	—	(97)	—	(97)
Loss for the period	—	—	—	—	—	—	(3,895)	(3,895)
Transfer of reserve	—	—	552	—	—	—	(552)	—
At 30 June 2018 (unaudited)	7,400	45,342	552	3,718	(383)	364	(44,329)	12,664

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is principally engaged in distribution of apparel products and household products, including the provision of distribution and supply chain management services specializing in procurement of garment and textile products.

To establish a competitive position in the marketplace and ensure the sustainability of business, the management has identified a viable competitive strategy through analyzing the business environment, within which the Group operates, and the strengths, weaknesses, opportunities and risks that exist for the Group. Among others, creation of sustainable differentiation is a key point. As such, the Group helps customers to identify suitable suppliers and quality garment, household and textile products, and offers a one stop solution to the customers' procurement function which successfully differentiates itself from other generic procurement service providers.

Furthermore, customers with limited internal purchasing resources or those who lacks the market intelligence to find reliable suppliers can also benefit from the Group's distribution business as a single point of contact to manage the entire procurement process by (i) accessing the Group's network of manufacturers and wholesaler; (ii) having effective negotiation with suppliers in the garment and textile industry; (iii) relying on the Group to identify suitable suppliers with the Group's network of manufacturers and/or wholesalers to meet the tailored requirement of the customers; (iv) relying on the customized procurement plan prepared and the logistics services provided by the Group and the execution of the customized procurement process; and (v) using the optional services provided by the Group or sub-contractors sourced by the Group (including but not limited to packaging service and furniture installation service). The Group believes that such business relationships founded on win-win philosophy, will drive growth and prosperity for each stakeholder.

During the period under review, the management has put great effort to optimize the process of the Group's distribution business, currently it can be divided into five key stages, which are: (i) understanding the tailored requirements of customers; (ii) organizing a customised procurement plan for customers; (iii) identifying suitable suppliers within the Group's network of manufacturers and/or wholesalers to meet the tailored requirement of the customers; (iv) maintaining effective negotiation between the customers and those suitable suppliers identified; and (v) executing the customised procurement process.

MANAGEMENT DISCUSSION AND ANALYSIS

The product mix under the Group's distribution business consists of consumer garments such as innerwear, casual wear and baby and children wear and household related textile products like curtain, bed covers, table cloth, linens and other household products. At present, PRC market is the primary focus of the Group's distribution business.

FINANCIAL REVIEW

The revenue of the Group for the nine months ended 30 June 2018 was approximately HK\$99.6 million, representing an increase of 8.7 times from the same period last year. For the nine months ended 30 June 2018, the Group's revenue contributed from household products, innerwear and clothing products (other than innerwear) were HK\$73.9 million, HK\$1.6 million and HK\$24.1 million respectively (2017: HK\$8.0 million, HK\$2.3 million and Nil). The increase in sales order of household products and garment products of the distribution business made great contribution to the significant increase in the Group's revenue.

Cost of sales of the Group for the nine months ended 30 June 2018 was approximately HK\$90.7 million, representing an increase of 8.4 times from HK\$9.6 million for the nine months ended 30 June 2017. The increase in cost of sales was mainly due to the increase in sales order during the period.

The loss of the Group for the nine months ended 30 June 2018 was approximately HK\$3.9 million as compared to the loss of approximately HK\$19.5 million for the nine months ended 30 June 2017. This great improvement is mainly due to the implementation of the Group's competitive strategy.

LIQUIDITY AND FINANCIAL POSITION

As at 30 June 2018, cash and bank balances of the Group amounted to approximately HK\$27.9 million (as at 30 September 2017: HK\$15.5 million). The current ratios (current asset divided by current liabilities) of the Group were 1.2 times and 1.8 times as at 30 June 2018 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 30 June 2018, the gearing ratio was 197% (2017: 0%). This ratio is calculated as dividing total debt from time to time by total capital.

UPDATE ON THE LISTING STATUS

The Company has received a letter dated 16 March 2018 from the Stock Exchange (the "Decision Letter"), which serves as a notice pursuant to Rule 9.15 of the GEM Listing Rules, that the Stock Exchange has decided to commence the procedures to cancel the Company's listing under Rule 9.14 of the GEM Listing Rules (the "Decision") since the Stock Exchange is of the view that the Company has failed to maintain a sufficient level of operations or assets under Rule 17.26 of the GEM Listing Rules to warrant the continued listing of the Shares. On 26 March 2018, the Company has submitted a written request to the GEM Listing Committee for reviewing of the Decision. On 3 July 2018, the GEM Listing Committee decided to uphold the Decision to suspend trading in the Shares and proceed with cancellation of the Company's listing. On 11 July 2018, the Company has submitted a written request to the secretary of the GEM Listing (Review) Committee applying for a review of the decision of the GEM Listing Committee. Please refer to the announcements of the Company dated 19 March 2018, 26 March 2018, 3 July 2018 and 11 July 2018 for details.

OUTLOOK

The Group's revenue for the nine months ended 30 June 2018 was significantly improved compared to the corresponding period in 2017 as a result of the continuous improvement of the distribution of household products and garment products carried out in the PRC recorded during the period.

MANAGEMENT DISCUSSION AND ANALYSIS

The Group has been expanding its team to cope with its distribution business and operations with the goal to solicit further sales and extend the arms of the Group to reach to the target customers in the PRC as well as the global markets. The Group has formulated various projects and development plans to further strengthen its distribution business, such as (i) participating in well-known worldwide fashion/apparel shows and fairs to further develop the Group's connections with market professionals and build up its global awareness; (ii) applying for the certification of Oeko-tex, which is a registered trade mark representing the product labels and company certifications issued and other services provided by the International Association for Research and Testing in the Field of Textile and Leather Ecology, to align with globally recognized quality standard; and (iii) setting up showroom in Hong Kong to enhance customer experience and brand awareness. The Group is confident about the upcoming development plans which will be able to enhance its strength in providing value-added supply-chain management services to its distribution business.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2018, the Group has 6 directors and 16 employees. Total staff costs, including Directors' emoluments, amounted to approximately HK\$8.1 million for the nine months ended as at 30 June 2018. 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.

OTHER INFORMATION

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures of the Company

As at 30 June 2018, 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, 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 Liguó (<i>Note</i>)	Interest of controlled corporation	515,000,000 (Long Position)	69.59%

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

Save as disclosed above, as at 30 June 2018, none of the Directors or chief executive of the Company or their respective associates 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares of the Company

As at 30 June 2018, 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 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%

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.

Save as disclosed above, as at 30 June 2018, 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 30 June 2018, 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

For the nine months ended as at 30 June 2018, 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 nine months ended 30 June 2018.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

The audit committee has reviewed the financial statements of the Company for the nine months ended 30 June 2018 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, 7 August 2018

As at the date of this report, 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 Mr. Christopher Francisco as independent non-executive Directors.

This report will remain on the "Latest Company Announcements" page of the GEM website (www.hkgem.com) for at least 7 days from its date of its posting and on the Company's website at www.chinahanya.com.hk.