



中國瀚亞
CHINA HANYA

CHINA HANYA GROUP HOLDINGS LIMITED

(Formerly known as “Brilliance Worldwide Holdings Limited”)
(incorporated in the Cayman Islands with limited liability)

Stock Code: 8312

ANNUAL
REPORT
2016

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This report, for which the directors (the “Directors”) of China Hanya Group Holdings Limited (formerly known as “Brilliance Worldwide 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 report is accurate and complete in all material respects and not misleading or deceptive; (ii) there are no other matters the omission of which would make any statement herein or this report misleading; and (iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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



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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Liu Sit Lun (*Chairman and CEO*)
Mr. Law Kin Wah Kenneth
Ms. Sun Wing Man Doris

Independent Non-executive Directors

Ms. Yang Haibi
Ms. Sun Yuan
Mr. Zhang Tianbao
Ms. Sun Huiyan

COMPANY SECRETARY

Ms. Ng Ka Man (ACS, ACIS)

AUDIT COMMITTEE

Ms. Sun Yuan (*Chairman*)
Ms. Yang Haibi
Mr. Zhang Tianbao
Ms. Sun Huiyan

REMUNERATION COMMITTEE

Ms. Yang Haibi (*Chairman*)
Mr. Liu Sit Lun
Ms. Sun Yuan
Mr. Zhang Tianbao
Ms. Sun Huiyan

NOMINATION COMMITTEE

Mr. Liu Sit Lun (*Chairman*)
Ms. Yang Haibi
Ms. Sun Yuan
Mr. Zhang Tianbao
Ms. Sun Huiyan

AUTHORISED REPRESENTATIVES

Mr. Liu Sit Lun
Ms. Ng Ka Man

COMPLIANCE OFFICER

Mr. Law Kin Wah Kenneth

PRINCIPAL BANKERS

Bank of Communication Limited

AUDITORS

Deloitte Touche Tohmatsu

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 1001, 10/F
Golden Gate Commercial Building
136-138 Austin Road
Kowloon
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Union Registrars Limited
Suites 3301-04, 33/F
Two Chinachem Exchange Square
338 King's Road
North Point, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Codan Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

CORPORATE WEBSITE

www.chinahanya.com.hk

Chairman's Statement

It gives me a pleasure to report that the Company and its subsidiaries (the "Group") has successfully embarked on new strategic effort to grow its business in the past year. 2016 was a year of significant achievement for the Company as we laid a solid foundation for the long-term growth of the Group. With the assistance of an experienced new management team, a number of initiatives are underway which will bring fresh impetus to the Group's existing operations and its future development.

ENHANCE CORE DISTRIBUTION BUSINESS

Performance of the Group's existing distribution business was dampened by the softening demand witnessed in the European market during the year under review. In order to gear up for the challenges ahead, the Group has stepped up its efforts by taking proactive measures to enhance its core operations.

During the year under review, we announced the plan to expand the Group's market presence to China. The Group has already set up a new subsidiary in Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone 前海深港現代服務業合作區 to spearhead the establishment of local sales and distribution channel. At the same time, the Group has been exploring possibility of utilizing the new distribution channel for different kinds of merchandise in addition to apparel products. To further accelerate the growth of the Group's distribution business, we aim at collaborating with potential business partners to leverage on their sales network and gain greater access to customers in China.

EXPEDITE BUSINESS DIVERSIFICATION

Meanwhile, a large part of our efforts during the past few months was dedicated to devising new initiatives to take advantage of the growth potential of Hong Kong's capital market. One notable development has been the acquisition of China Hanya Asset Management Limited. This transaction will pave the way for the Group to diversify its business into the financial services industry and thereby broaden the sources of income.

Enormous business opportunities have emerged from the convergence of the economic environment of Hong Kong and China. In particular, the stable growth of China's macro-economy coupled with an accelerated internationalization of Renminbi will continue to drive investment demand from the Chinese investors. We believe that these positive trends are expected to propel the development of Hong Kong as an attractive investment platform for capital from China as well as investment from overseas investors into China, opening up further new opportunities for the Group.

The Group is looking to develop a comprehensive financial services platform, through the provision of a full range of financial and wealth management services, to serve the need of institutional and high-net worth individual clients in Hong Kong and China.

Chairman's Statement (Continued)

PROSPECTS

Looking to the future, the Group will adhere to its diversification strategy with a focus on creating synergies among business units through integrated promotions and cross-selling. With the unique business vision and profound expertise of the management team, complemented by the Group's solid financial position, we are confident that the Group can meet the opportunities and challenges ahead. I am glad to see that the implementation of our strategic plans is now in good progress and these initiatives reflect our ambition to enhance the Group's long-term growth potential and shareholders' value.

Last but not least, 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.

Liu Sit Lun

Chairman

Hong Kong, 15 December 2016

Management Discussion and Analysis

KEY CORPORATE DEVELOPMENT

A significant step for the Group this year was the change of substantial shareholder. In March 2016, China Merit International Investment Inc. purchased 474,000,000 shares, which represent approximately 68.5% of the entire issued share capital of the Company, from Magic Ahead Investments Ltd. An unconditional cash offer for the outstanding shares and options of the Company was then made.

After the change of substantial shareholder, a new management team with extensive experience across various areas of the financial services industry has been introduced. The new management team has been actively looking for opportunities to diversify the business of the Group with the objective of improving existing operations and broadening sources of income. Leveraging on the expertise and experience of the new management team, the Group will benefit from their significant contributions for future business growth.

In addition, in order to better reflect the future business development of the Group, the name of the Company was changed in June 2016 from “Brilliance Worldwide Holdings Limited” to “China Hanya Group Holdings Limited” and the dual foreign name in Chinese of the Company “中國瀚亞集團控股有限公司” has been adopted by the Company to replace its Chinese name “金滿堂控股有限公司” for the purpose of identification.

BUSINESS REVIEW

During the year under review, the Group was principally engaged in the distribution of apparel products. With unfavourable sales demand from the Group’s major customers in Europe and keen competition from manufactures located in Southeast Asian countries, 2016 was a challenging year for the Group’s distribution business.

Total turnover contributed from the sales of innerwear, casual wear and baby and children wear for the year ended 30 September 2016 were HK\$15.2 million, HK\$3.5 million and HK\$4.4 million (for the year ended 30 September 2015: HK\$30.3 million, HK\$8.0 million and HK\$16.1 million) respectively.

The challenging market conditions presented substantial difficulties to the Group’s existing distribution operations. Against this backdrop, the Group has taken proactive initiative to improve performance of its distribution business by reducing the reliance on European market. In the light of its rising importance in the commerce of Southern China, in November 2016, the Group has already set up a subsidiary in Qianhai in China. The strategic move to expand the Group’s market presence into China will facilitate collaboration with potential business partners to establish local sales and distribution network. This will serve as new catalysts to propel the development of the Group’s distribution business of apparel and other products and will make solid contribution to the Group in the near term.

FINANCIAL REVIEW

The turnover and cost of sales for the year ended 30 September 2016 was approximately HK\$23.1 million and HK\$21.9 million (2015: HK\$54.4 million and HK\$50.9 million), respectively. The gross profit was approximately HK\$1.3 million at gross profit margin of 5.6%. Loss for the year attributable to owners has increased by HK\$5.3 million from approximately HK\$5.3 million for the year ended 30 September 2015 to HK\$10.6 million for the year ended 30 September 2016. It was mainly due to the decrease in sales order as well as an increase in administrative expenses attributable to the Group’s business diversification.

Management Discussion and Analysis (Continued)

LIQUIDITY AND FINANCIAL RESOURCES

At 30 September 2016, cash and bank balances of the Group amounted to approximately HK\$35.6 million (At 30 September 2015: HK\$6.8 million). The current ratio (current asset divided by current liabilities) of the Group was 18.5 times and 6.2 times as at 30 September 2016 and 2015, 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.

OUTLOOK

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

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

Building on its unique advantages of human and financial resources, the Group is well positioned to seize the countless business opportunities arising from the prevailing trend in the Greater China region and Hong Kong. In September 2016, the Group entered into an agreement to acquire the entire issued shares of China Hanya Asset Management Limited. Subsequent to the year end in the fourth quarter of 2016, the Group entered into respective agreements to acquire Just In Time Finance Limited and Shining Securities Company Limited. The Group believes that these new business ventures will enable the Group to tap into the potential of financial services industry. Going forward, the Group will continue to enhance its existing operations while exploring the possibility of other business opportunities with the aim to create long term value for the shareholders of the Company.

FINAL DIVIDEND

The Directors do not recommend the payment of any dividend for the year ended 30 September 2016 (for the year ended 30 September 2015: Nil).

Management Discussion and Analysis (Continued)

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 2016, the gearing ratio was 0% (2015: 15.0%). This ratio is calculated as total debt divided by total capital.

CAPITAL COMMITMENT

As at the end of 30 September 2016, 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 United States dollar.

CONTINGENT LIABILITIES

As at 30 September 2016, the Group did not have any significant contingent liabilities.

SIGNIFICANT INVESTMENTS

As at 30 September 2016, 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 2016.

MATERIAL ACQUISITIONS OR DISPOSALS

There were no material acquisitions or disposals during the year ended 30 September 2016 except on 27 September 2016, the Company signed a sale and purchase agreement with an independent third party to acquire the entire equity interest of China Hanya Asset Management Limited, a Hong Kong incorporated entity engaged in asset management services in Hong Kong, with a cash consideration of HK\$5.8 million. The abovementioned acquisition has not yet been completed as at the date of this annual report.

Management Discussion and Analysis (Continued)

EMPLOYEES AND REMUNERATION POLICY

As at 30 September 2016, the Group has 7 directors and 8 employees. Total staff costs, including Directors' emoluments and share-based payment, amounted to approximately HK\$4.6 million for the year ended 30 September 2016 (for the year ended 30 September 2015: HK\$3.9 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.

Biographical Details of Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. LIU Sit Lun, aged 39, is the Chairman, an executive Director, a member of the remuneration committee and the Chairman of the nomination committee of the Company. He also takes the position of chief executive officer of the Company and is primarily responsible for the formulation of our development strategies, as well as supervising our project planning and business operation. He joined the Group in May 2016 and before he joined the Group, he has more than 15 years of experience in the financial services industry in Hong Kong. He has undertaken various key senior positions including acted as managing director, deputy general manager and had held licenses (now in-active) as representative and responsible officer to carry out Type 1 (dealing in securities), Type 2 (dealing in futures), Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance (the “SFO”) in different financial services companies over different periods from September 2006 to March 2015. Since December 2015, Mr. Liu has been licensed (active) as the responsible officer to carry out Type 4 (advising on securities) and Type 9 (asset management) regulated activities under the SFO for a licensed entity. Mr. Liu holds a Bachelor of Arts degree in operations management. Mr. Liu is a director of a substantial shareholder of the Company within the meaning of Part XV of the SFO. Save as disclosed above, Mr. Liu is also a director of certain subsidiaries of the Company incorporated in Hong Kong, British Virgin Islands and the PRC.

Mr. LAW Kin Wah, Kenneth, aged 43, is an executive Director, head of Wealth Management Department and a compliance officer of the Company. He joined the Group in May 2016 and is primarily responsible for the overall business development of the Company. Mr. Law has more than 20 years of experience in the banking and wealth management industry. Mr. Law holds a Bachelor of Arts degree from York University in Canada. Mr. Law has undertaken various key positions in different financial services companies. He was employed by an affiliated company of Forise Global Holdings Limited (“Forise Global”) immediately before joining the Company. Save as disclosed above, Mr. Law is also a director of a subsidiary of the Company incorporated in the PRC.

Ms. SUN Wing Man, Doris, aged 46, is an executive Director and a director of Wealth Management Department of the Company. She joined the Group in May 2016 and is primarily responsible for the overall business development of the Company. Ms. Sun has more than 20 years of experience in financial planning, advisory and wealth management. Ms. Sun is a Certified Financial Planner and holds a Bachelor of Arts degree from The Hong Kong Polytechnic University. Ms. Sun has undertaken various key positions in companies engaged in the business of financial and wealth management. She was employed by an affiliated company of Forise Global immediately before joining the Company. Save as disclosed above, Ms. Sun is also a director of certain subsidiaries of the Company incorporated in Hong Kong.

Biographical Details of Directors and Senior Management (Continued)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. YANG Haibi, aged 39, has been appointed as an independent non-executive Director with effect from 7 November 2016. She is also a member of each of audit committee and nomination committee, and a chairman of remuneration committee of the Company. Ms. Yang has over 13 years of experience in mergers and acquisitions and investment and trading in China. She possesses extensive experience and knowledge in compliance and legal services of investment, financing and securities. Ms. Yang is currently the person-in-charge of the risk management centre of Fu Hua Holdings Co., Limited. She holds a master's degree from China University of Political Science and Law.

Ms. SUN Yuan, aged 42, has been appointed as an independent non-executive Director with effect from 7 November 2016. She is also a member of each of remuneration committee and nomination committee, and a chairman of audit committee of the Company. Ms. Sun has over 19 years of experience in accounting. She currently works as the chief financial officer of Beijing Fu Hua Dawang Clinic Limited* (北京復華大望診所有限公司). Ms. Sun holds a bachelor's degree of Economics and Accounting from Beijing Technology and Business University (formerly known as Beijing Institute of Light Industry* (北京輕工業學院)), She is a fellow member of the Association of Chartered Certified Accountants and obtained certified public accountant qualification in PRC.

Mr. ZHANG Tianbao, aged 38, has been appointed as an independent non-executive Director with effect from 7 November 2016. He is also a member of each of audit committee, remuneration committee and nomination committee of the Company. Mr. Zhang has over 12 years of experience and knowledge in compliance and legal services of investment, financing, merger and acquisition, property development and construction. He works as a legal counsel and vice director in Beijing Zhongjin Law Firm (北京中今律師事務所). Mr. Zhang holds a bachelor's degree in Law from Yanshan University.

Ms. SUN Huiyan, aged 39, has been appointed as an independent non-executive Director with effect from 7 November 2016. She is also a member of each of audit committee, remuneration committee and nomination committee of the Company. Ms. Sun has over 15 years of experience in financial management and auditing. She currently serves as the financial controller of Beijing Quanrong Information Services Co., Ltd.* (北京全融信息服務有限公司). Ms. Sun obtained an accounting profession* (會計專科) from Shandong Economic University (山東經濟學院).

SENIOR MANAGEMENT

The executive Directors are also the members of senior management of the Group.

COMPANY SECRETARY

Ms. NG Ka Man is the company secretary of the Company. She is an assistant vice president of the Listing Department of TMF Hong Kong Limited, a leading global professional services firm, where she is primarily responsible for assisting Hong Kong listed companies in handling company secretarial and compliance work. She has over 10 years of company secretarial experience. Ms. Ng holds a master degree in Corporate Governance. She is an associate member of The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators in the United Kingdom.

* For identification purposes only

Corporate Governance Report

The Company has complied with the required code provisions set out in the Corporate Governance Code and Corporate Governance Report (the “Code”) contained in Appendix 15 of the GEM Listing Rules during the year ended 30 September 2016, except for the followings:

- (i) Under code provision A.2.1, the roles of chairman and CEO should be separated and should not be performed by the same individual. Mr. Ko Chun Hay, Kelvin, who acted as the chairman and the CEO of the Company, was responsible for the overall business strategy and development and management of the Group during the period from 1 October 2015 to 20 May 2016. With effective from 20 May 2016, Mr. Liu Sit Lun was appointed as chairman of the Board and the CEO of the Company. The Board meets regularly to consider major matters affecting the operations of the Group. The Board considers that this structure will not impair the balance of power and authority between the Directors. The roles of the other executive Directors, who are in charge of different functions, complement the role 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.
- (ii) Code provision A.1.3 stipulates that at least 14 days’ notice should be given for a regular Board meeting. As there have been significant changes in Directors and independent non-executive Directors due to acquisition plan, notice of the regular Board meetings were given 0–4 days before the meetings but not more than 14 days during the year.
- (iii) Code provision C.3.3(e) stipulates that the audit committee must meet, at least twice a year, with the Company’s auditors. The audit committee held the meeting once only during the year ended 30 September 2016 to review the financial results for the three months ended 30 June 2016 and the Group’s compliance with the applicable GEM Listing Rules.

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

During the year ended 30 September 2016, 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 the Company’s specific enquiry, each Director confirmed that during the year ended 30 September 2016, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

BOARD OF DIRECTORS

The composition of the Board reflects the necessary balance of skills and experience desirable for effective leadership of the Company and independence in decision making. Pursuant to the Code, the Board adopted a board diversity policy. The Company recognizes and embraces the benefits of diversity of Board members. While all Board appointments will continue to be made on a merit basis, the Company will ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the needs of the Company’s business. Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, experience (professional or otherwise), skills and knowledge.

The Board currently comprises three executive Directors and four independent non-executive Directors and the Board is accountable to shareholders of the Company. The management and control of the business of the Company is vested in the Board. It is the duty of the Board to enhance value to the shareholders of the Company. The composition of the Board and biographies of the Directors are set out on pages 9 to 10 of this annual report.

Corporate Governance Report (Continued)

The three executive Directors are responsible for the leadership and control of the Company and oversee the Group's businesses, strategic decisions and performances and are collectively responsible for promoting the success of the Company by directing and supervising its affairs.

The four independent non-executive Directors are responsible for ensuring a high standard of financial and other mandatory reporting of the Board as well as to provide a balance in the Board in order to protect shareholders' interest and overall interest of the Group. At least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise under Rule 5.05 of the GEM Listing Rules. Each independent non-executive Director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive Directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

Number of Meetings and Directors' Attendance

Regular Board meetings should be held at least four times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Company.

During the year ended 30 September 2016, 10 Board meetings and 1 audit committee meeting were held. The individual attendance record of each Director at the meetings during the financial year is set out below:

Period: 1 October 2015 to 19 May 2016

Name of Directors	Attendance/Number of meetings Board
Executive Directors	
Mr. Ko Chun Hay, Kelvin	3/3
Madam Lam Mei Nar, Miller	3/3
Independent Non-executive Directors	
Mr. Li Kar Fai, Peter	3/3
Mr. Zhang Qing	3/3
Mr. Li Xiao Dong	3/3

Note: All of the above Directors resigned on 20 May 2016.

Corporate Governance Report (Continued)

Period: 20 May 2016 to 30 September 2016

Name of Directors	Attendance/Number of meetings	
	Board	Audit committee
Executive Directors		
Mr. Liu Sit Lun	7/7	N/A
Mr. Law Kin Wah Kenneth	7/7	N/A
Mr. Sun Wing Man Doris	7/7	N/A
Mr. Ling Wing Shan (resigned on 14 October 2016)	7/7	N/A
Independent Non-executive Directors		
Mr. Lau Tak Wai Davie (resigned on 7 November 2016)	7/7	1/1
Ms. Lau Yat Ying Karen (resigned on 7 November 2016)	7/7	1/1
Ms. Chan Hau Man (resigned on 7 November 2016)	7/7	1/1

Notes:

1. All of the above Directors were appointed on 20 May 2016.
2. The existing independent non-executive Directors as at the date of this annual report, namely Ms. Yang Haibi, Ms. Sun Yuan, Mr. Zhang Tianbao and Ms. Sun Huiyan, were appointed on 7 November 2016 therefore they did not attend the Board meetings and audit committee meeting held during the year ended 30 September 2016.

During the year ended 30 September 2016, the company secretary of the Company attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Corporate Governance Functions and Conduct of Meetings

No corporate governance committee has been established and the Board is responsible for performing the corporate governance functions such as developing and reviewing the Company's policies, practices on corporate governance, training and continuous professional development of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, etc.

Code provision A.1.3 stipulates that at least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given. Board papers together with all appropriate, complete and reliable information are sent to all Directors before each Board meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. All Directors are given an opportunity to include matters in the agenda for regular Board meetings. The Board and each Director also have separate and independent access to the senior executives whenever necessary. With the support of the senior executives, the Chairman is responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the company secretary of the Company and opened for inspection by the Directors. The Company's articles of association (the "Articles of Association") contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at Board meetings for approving transactions in which such Directors or any of their associates have a material interest.

Corporate Governance Report (Continued)

DIRECTORS' CONTINUOUS TRAINING AND PROFESSIONAL DEVELOPMENT

Pursuant to code provision A.6.5, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant. Up to the date of this annual report, all Directors have participated in continuous professional development by attending training course or reading relevant materials on the topics related to corporate governance and regulations.

The individual training record of each Director received for the year ended 30 September 2016 is summarized below:

Name of Directors	Attending seminar(s)/ relevant materials in relation to the business or Directors' duties Yes/No
Executive Directors	
Mr. Liu Sit Lun	Yes
Mr. Law Kin Wah Kenneth	Yes
Mr. Sun Wing Man Doris	Yes
Mr. Ling Wing Shan (resigned on 14 October 2016)	Yes
Independent Non-executive Directors	
Mr. Lau Tak Wai Davie (resigned on 7 November 2016)	Yes
Ms. Lau Yat Ying Karen (resigned on 7 November 2016)	Yes
Ms. Chan Hau Man (resigned on 7 November 2016)	Yes

Note: The existing independent non-executive Directors as at the date of this annual report, namely Ms. Yang Haibi, Ms. Sun Yuan, Mr. Zhang Tianbao and Ms. Sun Huiyan, were appointed on 7 November 2016.

All Directors also understand the importance of continuous professional development and are committed to participate any suitable training or reading relevant materials in order to develop and refresh their knowledge and skills.

AUDIT COMMITTEE

The Company has established an audit committee on 3 November 2010 with written terms of reference in compliance with the GEM Listing Rules. As at the date of this annual report, the audit committee has four members comprising all the independent non-executive Directors, namely Ms. Sun Yuan (chairman of the audit committee), Ms. Yang Haibi, Mr. Zhang Tianbao and Ms. Sun Huiyan, all of them were appointed on 7 November 2016. During 1 October 2015 to 20 May 2016, the audit committee had three members namely Mr. Li Kar Fai, Peter, Mr. Zhang Qing and Mr. Li Xiao Dong, all of them were independent non-executive Directors and resigned on 20 May 2016. Ms. Chan Hau Man (chairman of the audit committee), Mr. Lau Tak Wai Davie and Ms. Lau Yat Ying Karen were then appointed as independent non-executive Directors and audit committee members with effect from 20 May 2016 and subsequently resigned on 7 November 2016.

All audit committee members possess appropriate industry and financial experience to advise on the Group's strategy and other matters. The composition of the audit committee meets the requirements of Rule 5.28 of the GEM Listing Rules. The primary duties of the audit committee are to ensure the adequacy and effectiveness of the accounting and financial controls of the Group, oversee the performance of internal control systems and financial reporting process, monitor the integrity of the financial statements and compliance with statutory and listing requirements and to oversee independence and qualifications of the external auditors.

Corporate Governance Report (Continued)

At the meeting held during the year, in performing its duties in accordance with its terms of reference, the work performed by the audit committee included:

- (a) review and supervise the financial reporting process and internal control system of the Company and its subsidiaries;
- (b) recommendation to the Board, of the appointment of Deloitte Touche Tohmatsu as the external Auditor and approval of their remuneration;
- (c) determination of the nature and scope of the audit; and
- (d) review the financial statements for the relevant periods.

REMUNERATION COMMITTEE

The Company has established a remuneration committee on 3 November 2010 with written terms of reference in compliance with the GEM Listing Rules. As at the date of this annual report, the remuneration committee has five members comprising four independent non-executive Directors, namely Ms. Yang Haibi (chairman of the remuneration committee), Ms. Sun Yuan, Mr. Zhang Tianbao and Ms. Sun Huiyan, all of them were appointed on 7 November 2016, and one executive Director namely Mr. Liu Sit Lun, who was appointed on 20 May 2016. During 1 October 2015 to 20 May 2016, the remuneration committee had three members namely Mr. Li Kar Fai, Peter and Mr. Li Xiao Dong who were independent non-executive Directors and Mr. Ko Chun Kay, Kelvin who was executive Director. All of them resigned on 20 May 2016. Ms. Chan Hau Man (chairman of the remuneration committee), Mr. Lau Tak Wai Davie and Ms. Lau Yat Ying Karen, the then independent non-executive Directors, were appointed as remuneration committee members with effect from 20 May 2016 and subsequently resigned on 7 November 2016.

The roles and functions of the remuneration committee include recommending to the Board the policy and structure for the remuneration of the executive Directors and senior management, determining the specific remuneration packages of all the executive Directors and senior management, reviewing and approving performance based remuneration and compensation for loss or termination of office payable to executive Directors and senior management, ensuring no Director is involved in deciding his own remuneration and approving the service contracts of Directors and senior management.

During the year ended 30 September 2016, no meeting was held by the remuneration committee.

The annual remuneration of the members of the current senior management of the Company by band is set out below:

Emoluments Band	Number of individuals
HK\$0 to HK\$1,000,000	1
HK\$1,000,000 to HK\$2,000,000	2

Corporate Governance Report (Continued)

NOMINATION COMMITTEE

The Company has established a nomination committee on 3 November 2010 with written terms of reference in compliance with the GEM Listing Rules. As at the date of this annual report, the nomination committee has five members comprising one executive Director namely Mr. Liu Sit Lun (chairman of the nomination committee), who was appointed on 20 May 2016 and four independent non-executive Directors namely Ms. Yang Haibi, Ms. Sun Yuan, Mr. Zhang Tianbao and Ms. Sun Huiyan, all of them were appointed on 7 November 2016. During 1 October 2015 to 20 May 2016, the nomination committee had three members namely Mr. Li Kar Fai, Peter and Mr. Li Xiao Dong who were independent non-executive Directors and Mr. Ko Chun Kay, Kelvin who was executive Director. All of them resigned on 20 May 2016. Ms. Chan Hau Man, Mr. Lau Tak Wai Davie and Ms. Lau Yat Ying Karen, the then independent non-executive Directors, were appointed as nomination committee members with effect from 20 May 2016 and subsequently resigned on 7 November 2016.

The roles and functions of the nomination committee include reviewing the structure, size and composition of the Board at least annually, making recommendations on any proposed changes to the Board to complement the Company's corporate strategy, identifying individuals suitably qualified to become members of the Board and selecting individuals nominated for directorship (if necessary), assessing the independence of the independent non-executive directors and making recommendations to the Board on the appointment or re-appointment of directors and succession planning for directors, in particular the Chairman and the chief executive officer. In considering the nomination of new directors, the Board will take into account the qualification, ability, working experience, leadership and professional ethics of the candidates, especially their experience in the cards and/or other professional areas.

During the year ended 30 September 2016, no meeting was held by the nomination committee.

COMMUNICATION WITH SHAREHOLDERS

The Company endeavors to maintain an on-going dialogue with the shareholders and in particular, through annual general meetings or other general meetings to communicate with the shareholders and encourage their participation. The Company will ensure that there are separate resolutions for separate issues proposed at the general meetings. The Company will continue to maintain an open and effective investor communication policy and to update investors on relevant information on the Group's business in a timely manner, subject to relevant regulatory requirements.

Corporate Governance Report (Continued)

GENERAL MEETINGS WITH SHAREHOLDERS

During the year ended 30 September 2016, the Company's annual general meeting has been held on 31 March 2016 and an extraordinary general meeting was held on 23 June 2016. Separate resolutions were proposed on each substantially separate issue at the general meetings. The attendance record of the Directors at the general meetings is set out below:

Name of Directors	Meetings attended/ eligible to attend
Executive Directors	
Mr. Liu Sit Lun (appointed on 20 May 2016)	1/1
Mr. Law Kin Wah Kenneth (appointed on 20 May 2016)	1/1
Mr. Sun Wing Man Doris (appointed on 20 May 2016)	0/1
Mr. Ling Wing Shan (appointed on 20 May 2016 and resigned on 14 October 2016)	1/1
Mr. Ko Chun Hay Kelvin (resigned on 20 May 2016)	1/1
Ms. Lam Mei Nar Miller (resigned on 20 May 2016)	0/1
Independent Non-executive Directors	
Mr. Lau Tak Wai Davie (appointed on 20 May 2016 and resigned on 7 November 2016)	0/1
Ms. Lau Yat Ying Karen (appointed on 20 May 2016 and resigned on 7 November 2016)	0/1
Ms. Chan Hau Man (appointed on 20 May 2016 and resigned on 7 November 2016)	0/1
Mr. Li Kar Fai, Peter (resigned on 20 May 2016)	1/1
Mr. Zhang Qing (resigned on 20 May 2016)	0/1
Mr. Li Xiao Dong (resigned on 20 May 2016)	0/1

Note: The existing independent non-executive Directors as at the date of this annual report, namely Ms. Yang Haibi, Ms. Sun Yuan, Mr. Zhang Tianbao and Ms. Sun Huiyan, were appointed on 7 November 2016 therefore they did not attend the general meetings held during the year ended 30 September 2016.

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to article 64 of the Articles of Association, extraordinary general meetings of the Company (the "EGM(s)") shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an EGM to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitioner(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitioner(s), as a result of the failure of the Board to convene the EGM(s), shall be reimbursed to the requisitioner(s) by the Company.

Corporate Governance Report (Continued)

Putting enquiries to the Board

To ensure effective communication between the Board and the shareholders, the Company has adopted a shareholders' communication policy (the "Policy"). Under the Policy, the Company's information shall be communicated to the shareholders mainly through general meetings, including annual general meetings, the Company's financial reports (annual, interim and quarterly reports), and its corporate communications and other corporate publications on the Company's website and the Stock Exchange's website.

Shareholders may at any time make a request for the Company's information to the extent that such information is publicly available. Any such questions shall be first directed to the company secretary of the Company at the Company's principal place of business in Hong Kong at Room 1001, 10/F, Golden Gate Commercial Building, 136-138 Austin Road, Kowloon, Hong Kong.

Putting forward proposals at Shareholders' meeting

The number of shareholders necessary for putting forward a proposal at a shareholders' meeting shall be any number of shareholders representing not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings at the date of the request.

COMPANY SECRETARY

During the year ended 30 September 2016 and as at the date of this annual report, the company secretary of the Company are as follows:

Mr. Chan Cho Chak (resigned on 15 March 2016)
Mr. Lam Yip Chai (appointed on 15 March 2016 and resigned on 17 March 2016)
Mr. To Chi (appointed on 17 March 2016 and resigned on 4 July 2016)
Ms. Lin Yvonne Sui Yee (appointed on 4 July 2016 and resigned on 23 November 2016)
Ms. Ng Ka Man (appointed on 23 November 2016)

The company secretary of the Company is responsible to the Board for ensuring the board procedures are followed and that the Board is briefed on legislative, regulatory and corporate governance developments.

Ms. Ng Ka Man, the current company secretary of the Company, has undertaken not less than 15 hours of professional training during the year ended 30 September 2016.

DIRECTORS' AND AUDITOR'S RESPONSIBILITIES IN RESPECT OF THE CONSOLIDATED FINANCIAL STATEMENTS

The Board is responsible for presenting a balanced, clear and understandable assessment of annual, interim and quarterly reports, other price-sensitive announcements and other financial disclosures required under the GEM Listing Rules and other statutory requirements.

Corporate Governance Report (Continued)

The Directors acknowledged their responsibility for preparing the consolidated financial statements of the Company for the year ended 30 September 2016. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern, therefore the Directors continue to adopt the going concern approach in preparing the consolidated financial statements.

The auditors of the Company acknowledge their reporting responsibilities in the independent auditor's report on the consolidated financial statements for the year ended 30 September 2016.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 30 September 2016 amounted to HK\$500,000 (for the year ended 30 September 2015: HK\$500,000).

INTERNAL CONTROLS AND RISK MANAGEMENT

The Board has overall and ongoing responsibility for the internal control system and risk management procedures of the Company. The Board has developed its systems of internal control and risk management and is also responsible for reviewing and maintaining an adequate internal control system to safeguard the interests of the shareholders and the assets of the Company. During the year ended 30 September 2016, the Board has entrusted the audit committee and appointed professional internal control consultant with the responsibility to assess risk of the Company and perform the agreed-upon procedures in relation to the internal controls of the main business of the Company. The risk assessment report documented the major business risks and developed the 3-year internal audit plan. The agreed-upon procedures report provided factual findings of whether the internal control procedures of the main business of the Company are suitably designed to achieve specified control objectives with recommendations proposed for the Company to further improve its internal control system. The Group is committed to the identification, monitoring and management of risks associated with its business activities.

The Board reviews the effectiveness of the Group's material internal controls and considers the Group's internal control system is designed to provide reasonable assurance against material misstatement or loss and to manage and eliminate risks of failure in operational systems and fulfillment of business objective. The system includes a defined management structure with segregation of duties and a cash management system such as monthly reconciliation of bank accounts. The Board is of the opinion that the resources for and qualifications of staff of the Company's accounting and financial reporting function are adequate and sufficient. Based on information furnished to it and on its own observations, the Board is satisfied with present internal controls of the Group.

INVESTOR RELATIONS

The Company believes that maintaining a high level of transparency is a key to enhancing investor relations. It is committed to a policy of open and timely disclosure of corporate information to its shareholders and investment public. The Company updates its shareholders on its latest business developments and financial performance through its annual, interim and quarterly reports. The corporate website of the Company (www.chinahanya.com.hk) has provided an effective communication platform to the public and the shareholders.

During the year ended 30 September 2016, there had been no significant change in the Company's constitutional documents.

Report of the Directors

The Directors present their annual report and the audited consolidated financial statements for the year ended 30 September 2016.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 31 to the consolidated financial statements. There were no significant changes in nature of Group's principal activities during the year.

SUBSIDIARIES

Details of the Company's subsidiaries as at 30 September 2016 are set out in note 31 to the consolidated financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 30 September 2016 are set out in the consolidated of statement profit or loss and consolidated statement of profit or loss and other comprehensive income on pages 33 to 34 of this annual report respectively.

The Directors do not recommend the payment of any dividend in respect of the year ended 30 September 2016 (for the year ended 30 September 2015: Nil).

SEGMENTAL INFORMATION

Details of segment reporting are set out in note 6 to the consolidated financial statements.

CHANGE OF COMPANY NAME

The English name of the Company has been changed from "Brilliance Worldwide Holdings Limited" to "China Hanya Group Holdings Limited" and the dual foreign name in Chinese of the Company "中國瀚亞集團控股有限公司" has been adopted by the Company to replace its Chinese name "金滿堂控股有限公司" with effect from 30 June 2016. The stock short name for trading in the shares of the Company on the Stock Exchange has been changed from "BRILLIANCE WW" to "CHINA HANYA" in English and from "金滿堂控股" to "中國瀚亞" in Chinese with effect from 22 July 2016. Details of change of the name of the Company were disclosed in the Company's announcement dated 20 July 2016.

Report of the Directors (Continued)

BUSINESS REVIEW

A review of the business of the Group for the financial year ended 30 September 2016, the future business development and other important event of the Group are set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” on pages 3 to 4 and pages 5 to 8 of this annual report respectively.

A description of the principal risks and certainties facing the Group, its environmental policies and performance, relationship with stakeholders and compliance with applicable laws and regulations can be found in the paragraphs below.

Principal Risks and Uncertainties

For the principal risks and uncertainties facing by the Group, please refer to notes 23 and 24 to the Consolidated Financial Statement on pages 63 to 68 of this Annual Report.

Environmental Policies and Performance

To promote low carbon environment and reduce greenhouse gas emission, the greening office facility is implemented in the office area of the Company. The green office management is also encouraged throughout the Company, such as reducing paper consumption through application of computer technology and switching off electrical appliances when they are not in use.

Relationships with Stakeholders

The Company greatly values our employees, who underpin the success of the Company. Competitive remuneration, coupled with job satisfaction, is the key to retaining our staff. The Company advocates the need for a work-life balance and believes in equal opportunities at the workplace.

Compliance with Applicable Laws and Regulations

The Group complies with the requirements under the Companies Ordinance in Hong Kong and the Cayman Islands, the GEM Listing Rules and the SFO for, among other things, the disclosure of information and corporate governance.

PERMITTED INDEMNITY PROVISION

The articles of association of the Company (the “Articles”) provide that the Directors, Auditors, Secretary and other officers for the time being of the Company, and their respective executors or administrators, shall be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, their or any of their executors or administrators, shall or may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices. In addition, the liabilities in respect of legal action against the Directors are insured and covered by the existing directors and officers liability insurance policy of the Company.

Report of the Directors (Continued)

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 30 September 2016, the aggregate amount of turnover attributed to the Group's largest and five largest customers was 51.4% and 97.0% of the total value of the Group's turnover respectively. The Group's purchase to the largest and five largest suppliers accounted for 100.0% and 100.0% of the total value of the Group's purchase respectively.

At no time during the year ended 30 September 2016 have the Directors, their associates or any shareholder of the Company (which to the knowledge of the Directors owns more than 5% of the Company's share capital) had any interest in major customers or suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 22 to the consolidated financial statements.

FUND RAISING ACTIVITY

On 23 August 2016 and 24 August 2016, the Company entered into a placing agreement and a supplemental agreement to the placing agreement respectively with a placing agent whereby the Company has conditionally agreed to place, through the placing agent, on a best effort basis, 48,000,000 new shares to not less than six independent placees, who are professional, institutional or other investors and who are third parties independent of and are not connected with the Company and its connected persons, at a placing price of HK\$0.63 per placing share (the "Placing"). The net price to the Company of each Placing share is approximately HK\$0.6111 per Placing share. The market price of the new shares on the date when the issuance terms were determined (i.e. 23 August 2016) was HK\$0.78. The aggregate nominal value of the Placing shares was HK\$480,000.

The Directors have considered various fund raising methods and believe that under the prevailing market conditions, the Placing represents a good opportunity to raise additional funds to strengthen the financial position, enhance the existing business and develop new business of the Group. In addition, the Placing will broaden the Company's capital base and shareholders base without any interest burden. Moreover, the net proceeds of the Placing will strengthen the Group's financial position for future development of the Group.

The Placing was completed on 9 September 2016 and the gross proceeds and net proceeds from the Placing are approximately HK\$30,240,000 and HK\$29,333,000 respectively. The Company intends to utilize the net proceeds from the Placing as to (i) approximately HK\$11,600,000 for the set up of a new subsidiary in Qianhai, the PRC for the garment distribution business; (ii) approximately HK\$15,000,000 for the payment of administrative expenses; (iii) approximately HK\$2,000,000 for the acquisition of an insurance brokerage company of up to 80% of its equity interest; and (iv) approximately HK\$733,000 as the general working capital of the Group.

For details of the Placing, please refer to the Company's announcements dated 23 August 2016, 25 August 2016 and 9 September 2016 respectively.

Report of the Directors (Continued)

RESERVES

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 36 of this annual report.

DISTRIBUTABLE RESERVES

At 30 September 2016, the Company's reserves, calculated in accordance with the provisions of Cayman Islands' legislation, amounted to HK\$16,602,000 (At 30 September 2015: HK\$10,981,000).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the year ended 30 September 2016, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares.

FINANCIAL SUMMARY

A summary of the results of the Group for the past five financial years is set out on page 75 of this annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year ended 30 September 2016 and up to date of this annual report were:

Executive Directors:

Liu Sit Lun (appointed on 20 May 2016) (*Chairman and Chief Executive Officer*)
Law Kin Wah Kenneth (appointed on 20 May 2016)
Sun Wing Man Doris (appointed on 20 May 2016)
Ling Wing Shan (appointed on 20 May 2016 and resigned on 14 October 2016) (Note 2)
Ko Chun Hay Kelvin (resigned on 20 May 2016) (Note 3)
Lam Mei Nar Miller (resigned on 20 May 2016) (Note 3)

Independent Non-Executive Directors:

Yang Haibi (appointed on 7 November 2016)
Sun Yuan (appointed on 7 November 2016)
Zhang Tianbo (appointed on 7 November 2016)
Sun Huiyan (appointed on 7 November 2016)
Chan Hau Man (appointed on 20 May 2016 and resigned on 7 November 2016) (Note 1)
Lau Tak Wai Davie (appointed on 20 May 2016 and resigned on 7 November 2016) (Note 1)
Lau Yat Ying Karen (appointed on 20 May 2016 and resigned on 7 November 2016) (Note 1)
Li Kar Fai Peter (resigned on 20 May 2016) (Note 3)
Li Xiao Dong (resigned on 20 May 2016) (Note 3)
Zhang Qing (resigned on 20 May 2016) (Note 3)

Report of the Directors (Continued)

Notes:

1. On 7 November 2016, Mr. Lau Tak Wai Davie, Ms. Lau Yat Ying Karen and Ms. Chan Hau Man resigned as independent non-executive Directors as they would like to spend more time pursuing their own business.
2. On 14 October 2016, Mr. Ling Wing Shan resigned as an executive Director as he would like to concentrate on the duty of legal and compliance of the Company.
3. On 20 May 2016, because of corporate structuring, Mr. Ko Chun Hay Kelvin and Madam Lam Mei Nar Miller resigned as executive directors and Mr. Li Kar Fai Peter, Mr. Zhang Qing and Mr. Li Xiao Dong resigned as independent non-executive directors.

In accordance with article 108 of the Articles, one-third of the Directors are subject to retirement by rotation or, if their number is not three or a multiple of three, then the number nearest to but not less than one-third shall retire from office by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company. Furthermore, in accordance with article 112 of the Articles, any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director appointed by the Board as an addition to the existing Board shall hold office until the next following annual general meeting of the Company after his appointment and shall then be eligible for re-election. Accordingly, Mr. Liu Sit Lun, Mr. Law Kin Wah Kenneth, Ms. Sun Wing Man Doris, Ms. Yang Haibi, Ms. Sun Yuan, Mr. Zhang Tianbao and Ms. Sun Huiyan will hold office as the Directors until the forthcoming annual general meeting of the Company (“AGM”) and are subject to re-election.

Each of Messrs. Liu Sit Lun, Law Kin Wah Kenneth and Sun Wing Man Doris has a service contract with the Company for a term of three years and each of these service contracts is subject to termination by either party giving not less than three months’ written notice.

Each of the independent non-executive Director has entered into a letter of appointment with the Company for a term of one year and is subject to termination by either party giving not less than one month’s written notice.

No Director proposed for re-election at the AGM has a service contract with the Company or any of its subsidiaries which is not determinable by the Company within one year without payment of compensation, other than the normal statutory compensation.

CONFIRMATION OF INDEPENDENCE

The Company has received annual confirmations of independence from each of the independent non-executive Directors pursuant to the GEM Listing Rules. The Company considers the independent non-executive Directors to be independent pursuant to Rule 5.09 of the GEM Listing Rules as at the date of this annual report.

DIRECTORS’ AND SENIOR MANAGEMENT’S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set out in the section headed “Biographical Details of Directors and Senior Management” on pages 9 to 10 of this annual report.

Report of the Directors (Continued)

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed in note 29 to the consolidated financial statements, no Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party subsisted at the end of the year or at any time during the year.

COMPETING INTEREST

For the year ended 30 September 2016, the Directors were not aware of any business or interest of the Directors and their respective associates (as defined under the GEM Listing Rules) that competes or may compete with the business of the Group and any other conflict of interest which any such person has or may have with the Group.

GROUP'S EMOLUMENT POLICY

The Directors' fees are subject to shareholders' approval at general meetings. Other emoluments are determined by the Board with reference to the Directors' duties, responsibilities and performance and the results of the Group. Each Director may also receive a year-end bonus in respect of each financial year. The amount of such bonus will be determined by the remuneration committee of the Board, subject to shareholders' approval at general meeting.

The emolument policy of the Group is on the basis of the qualifications and contributions of individuals to the Group. The Company has adopted a share option scheme as an incentive to eligible participants, details of which are set out below in the section headed "Share Option".

Details of the emoluments of the Directors and five highest paid individuals pursuant to Rules 18.28 to 18.30 of the GEM Listing Rules are set out in notes 9 and 10 to the consolidated financial statements, respectively.

Details of the pension and employee benefit scheme are set out in notes 25 and 28 to the consolidated financial statements.

CONTRACT OF SIGNIFICANCE

There is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries for the year ended 30 September 2016.

MANAGEMENT CONTRACTS

No contracts relating to the management and/or administration of the whole or any substantial part of the business of the Company were entered into or subsisted during the year.

Report of the Directors (Continued)

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

As at 30 September 2016, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the "Shares"), underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO), or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares of the Company

Name of Director	Capacity	Number of Shares	Percentage of the Company's issued share capital ^{Note 1}
Liu Sit Lun	Interest of controlled corporation ^{Note 2}	515,000,000	69.59%

Notes:

1. As at 30 September 2016, the number of Shares in issue was 740,000,000.
2. China Merit International Investment Inc. ("China Merit") is legally and beneficially owned as to 100% by Mr. Liu Sit Lun and Mr. Liu Sit Lun is therefore deemed to be interested in the Shares held by China Merit. Mr. Liu Sit Lun is also the sole director of China Merit.

Save as disclosed above, as at 30 September 2016, none of the Directors or the chief executive of the Company or their respective associates had any other interest or short position in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they have taken or deemed to have taken under such provision of the SFO), or to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

Report of the Directors (Continued)

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

As at 30 September 2016, so far as is known to the Directors, the following persons (not being the Directors or chief executive of the Company) had or were deemed to have, interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the Shares of the Company

Name	Capacity	Number of Shares	Percentage of the Company's issued share capital ^{Note 1}
China Merit International Investment Inc. ^{Note 2}	Beneficial owner	515,000,000	69.59%
Hammer Capital Private Investments Limited	Person having a security interest in shares	515,000,000	69.59%
Quick Money Finance Limited	Person having a security interest in shares	515,000,000	69.59%
Yvonne Credit Service Co Ltd	Person having a security interest in shares	515,000,000	69.59%

Notes:

1. As at 30 September 2016, the number of Shares in issue was 740,000,000.
2. China Merit is legally and beneficially owned as to 100% by Mr. Liu Sit Lun.

Save as disclosed above, as at 30 September 2016, so far as is known to the Directors or chief executive of the Company, no persons (other than the Directors or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the year was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 was granted any right to subscribe for the equity or debt securities of the Company or any other body corporate nor had exercised any such right.

Report of the Directors (Continued)

SHARE OPTION

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

(i) Purpose

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

(ii) Qualifying participants

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

(iii) Maximum number of shares

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

(iv) Limit for each participant

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

(v) Option period

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

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

(vi) Acceptance and payment on acceptance

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

Report of the Directors (Continued)

(vii) Subscription price

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

(viii) Remaining life of the Option Scheme

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

Up to the date of this annual report, a total of 42,900,000 Shares, representing 6.2% of the existing issued share capital of the Company are available for issue to the participants and the 42,900,000 options have not yet been exercised by the participants up to the date of this annual report.

The movements in the share options granted under the share option scheme during the year ended 30 September 2016 are shown below:

Name of Grantees	Date of grant	Number of Share Options					As at 30 September 2016	Vesting period	Exercise price	Exercise Period
		As at 1 October 2015	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled/ Forfeited during the year				
Mr. Ko Chun Hay,	19/1/2012	6,900,000	—	—	—	(6,900,000)	—	—	HK\$0.087	20/1/2012 to 19/1/2017
Kelvin	8/2/2013	6,900,000	—	—	—	(6,900,000)	—	—	HK\$0.091	9/2/2013 to 8/2/2020
	13/7/2015	6,900,000	—	—	—	(6,900,000)	—	—	HK\$0.222	13/7/2015 to 12/7/2020
Madam Lam Mei Nar Miller	13/7/2015	6,900,000	—	—	—	(6,900,000)	—	—	HK\$0.222	13/7/2015 to 12/7/2020
Mr. Li Kar Fai Peter	13/7/2015	1,000,000	—	—	—	(1,000,000)	—	—	HK\$0.222	13/7/2015 to 12/7/2020
Employees	19/1/2012	6,900,000	—	—	—	(6,900,000)	—	—	HK\$0.087	20/1/2012 to 19/1/2017
	8/2/2013	6,900,000	—	—	—	(6,900,000)	—	—	HK\$0.091	9/2/2013 to 8/2/2020
	13/7/2015	500,000	—	—	—	(500,000)	—	—	HK\$0.222	13/7/2015 to 12/7/2020

EQUITY-LINKED AGREEMENTS

Save for the Scheme as disclosed in the section headed "SHARE OPTION" above, the Company did not enter into any equity-linked agreement for the year ended 30 September 2016.

Report of the Directors (Continued)

RELATED PARTY TRANSACTION

Except for the related party transactions of the Group and the Company set out in note 29 to the consolidated financial statements, the Directors are not aware of any related party transaction during the year.

CORPORATE GOVERNANCE

The principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report on pages 11 to 19 of this annual report.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within its knowledge, as at the date of this annual report, there is sufficient public float of 25% of the Company's issued shares as required under the GEM Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles and the laws of Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to existing shareholders.

EVENTS AFTER THE REPORTING PERIOD

Details of event after the reporting period are set out in note 30 to the Consolidated Financial Statement on page 72 of this annual report.

AUDITORS

Deloitte Touche Tohmatsu was appointed as auditors of the Group with effect from 9 October 2015 to fill the causal vacancy arising from the resignation of CCIF CPA Limited. Save as disclosed above, there have been no change of auditors of the Company for the past three years.

The Company's auditors, Deloitte Touche Tohmatsu shall retire at the AGM and, being eligible, offered themselves for re-appointment.

On behalf of the Board

China Hanya Group Holdings Limited

Liu Sit Lun

Chairman

Hong Kong, 15 December 2016

Independent Auditor's Report

Deloitte.

德勤

**TO THE MEMBERS OF CHINA HANYA GROUP HOLDINGS LIMITED
(FORMERLY KNOWN AS BRILLIANCE WORLDWIDE HOLDINGS LIMITED)**

(incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of China Hanya Group Holdings Limited (formerly known as Brilliance Worldwide Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 33 to 74, which comprise the consolidated statement of financial position as at 30 September 2016, and the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditor's Report (Continued)

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 30 September 2016, and of its financial performance and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

15 December 2016

Consolidated Statement of Profit or Loss

For the year ended 30 September 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Revenue	5	23,122	54,351
Cost of sales		(21,854)	(50,917)
Gross profit		1,268	3,434
Other income, gains and losses	7	21	(434)
Selling and distribution expenses		(1,035)	(2,101)
Administrative expenses		(10,815)	(6,141)
Finance costs	8	(26)	(176)
Loss before taxation	11	(10,587)	(5,418)
Taxation credit	12	—	138
Loss for the year		(10,587)	(5,280)
Loss for the year attributable to owners of the Company		(10,587)	(5,280)
Loss per share	14		
Basic and diluted (HK cents)		(1.52)	(0.76)

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 September 2016

	2016 HK\$'000	2015 HK\$'000
Loss for the year	(10,587)	(5,280)
Other comprehensive expense		
<i>Item that may be subsequently reclassified to profit or loss:</i>		
Exchange differences arising on translation of foreign operation	(2)	(11)
Total comprehensive expense for the year attributable to the owners of the Company	(10,589)	(5,291)

Consolidated Statement of Financial Position

At 30 September 2016

	Notes	2016 HK\$'000	2015 HK\$'000
Non-current assets			
Property, plant and equipment	15	882	940
Deposit paid for acquisition of a subsidiary	16	200	—
Deposit paid for acquisition of plant and equipment		704	—
		1,786	940
Current assets			
Trade and other receivables	17	2,147	14,578
Investments held-for-trading	18	1,349	1,427
Bank balances and cash	19	35,625	6,795
		39,121	22,800
Current liabilities			
Trade payables	20	824	—
Other payables and accrued charges		1,296	699
Bank borrowings	21	—	2,998
		2,120	3,697
Net current assets		37,001	19,103
Net assets		38,787	20,043
Capital and reserves			
Share capital	22	7,400	6,920
Reserves		31,387	13,123
Total equity		38,787	20,043

The consolidated financial statements on pages 33 to 74 were approved and authorised for issue by the Board of Directors on 15 December 2016 and are signed on its behalf by:

Liu Sit Lun
CHAIRMAN

Law Kin Wah Kenneth
EXECUTIVE DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 30 September 2016

	Attributable to the owners of the Company							
	Share capital HK\$'000	Share premium HK\$'000	Share-based compensation reserve HK\$'000	Capital reserve HK\$'000 (Note (i))	Merger reserve HK\$'000 (Note (ii))	Translation reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000
At 1 October 2014	6,920	16,489	1,319	3,718	(383)	239	(4,773)	23,529
Loss for the year	—	—	—	—	—	—	(5,280)	(5,280)
Other comprehensive expense for the year	—	—	—	—	—	(11)	—	(11)
Total comprehensive expense for the year	—	—	—	—	—	(11)	(5,280)	(5,291)
Recognition of equity-settled share-based payments	—	—	1,805	—	—	—	—	1,805
At 30 September 2015	6,920	16,489	3,124	3,718	(383)	228	(10,053)	20,043
Loss for the year	—	—	—	—	—	—	(10,587)	(10,587)
Other comprehensive expense for the year	—	—	—	—	—	(2)	—	(2)
Total comprehensive expense for the year	—	—	—	—	—	(2)	(10,587)	(10,589)
Forfeiture of equity-settled share-based payments	—	—	(3,124)	—	—	—	3,124	—
Direct transaction costs of shares issued under placing	—	(907)	—	—	—	—	—	(907)
Ordinary shares issued	480	29,760	—	—	—	—	—	30,240
At 30 September 2016	7,400	45,342	—	3,718	(383)	226	(17,516)	38,787

Notes:

- (i) Capital reserve represents capitalisation of a loan from a former director and amount due to a former director by a former wholly-owned subsidiary of the Company in previous years.
- (ii) Merger reserve represents the difference between the nominal values of the ordinary shares issued by the Company and the share capital of subsidiaries acquired through an exchange of shares pursuant to the reorganisation in prior years.

Consolidated Statement of Cash Flows

For the year ended 30 September 2016

	2016 HK\$'000	2015 HK\$'000
OPERATING ACTIVITIES		
Loss for the year	(10,587)	(5,280)
Adjustments for:		
Finance costs	26	176
Depreciation of property, plant and equipment	58	170
Amortisation of intangible asset	—	154
Bank interest income	—	(32)
Dividend income	(99)	(5)
Equity-settled share-based payments	—	1,805
Loss on disposal of property, plant and equipment	—	23
Income tax credit	—	(138)
Change in fair value of investments held-for-trading	78	437
Operating cash flows before movements in working capital	(10,524)	(2,690)
Decrease in inventories	—	626
Decrease in trade and other receivables	12,431	2,438
Increase in trade payables	824	—
Increase in other payables and accrued charges	597	231
Purchases of investments held-for-trading	—	(1,864)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	3,328	(1,259)
INVESTING ACTIVITIES		
Withdrawal of pledged bank deposits	—	7,000
Dividend received	99	5
Bank interest received	—	32
Repayment from ultimate holding company	—	9
Deposit paid for acquisition of a subsidiary	(200)	—
Deposit paid for acquisition of plant and equipment	(704)	—
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(805)	7,046
FINANCING ACTIVITIES		
New bank borrowings raised	—	8,410
Repayment of bank borrowings	(2,998)	(9,630)
Net fund arising from discounted bills with recourse	—	722
Interest paid	(26)	(176)
Proceeds from placing of shares	30,240	—
Expensing on placing of shares	(907)	—
NET CASH FROM (USED IN) FINANCING ACTIVITIES	26,309	(674)

Consolidated Statement of Cash Flows (Continued)

For the year ended 30 September 2016

	2016 HK\$'000	2015 HK\$'000
NET INCREASE IN CASH AND CASH EQUIVALENTS	28,832	5,113
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6,795	1,693
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	(2)	(11)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	35,625	6,795
ANALYSIS OF THE BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and bank balances	35,625	6,795

Notes to the Consolidated Financial Statements

For the year ended 30 September 2016

1. GENERAL

The Company is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”). Its immediate and ultimate holding company is China Merit International Investment Inc. (“China Merit”), incorporated in the British Virgin Islands and the ultimate controlling shareholder of China Merit is Mr. Liu Sit Lun, the chairman, chief executive officer and 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 15 March 2016, Magic Ahead Investments Limited (“Magic Ahead”), the former immediate holding company, agreed to sell an aggregate of 474,000,000 the shares of the Company, representing 68.5% of the then total share capital of the Company at a cash consideration of HK\$280,000,000 to China Merit.

At an extraordinary general meeting of the Company held on 23 June 2016, the Company’s shareholders approved to change the English name of the Company from Brilliance Worldwide Holdings Limited to China Hanya Group Holdings Limited and the dual foreign name in Chinese of the Company from 金滿堂控股有限公司 to 中國瀚亞集團控股有限公司. The change of name became effective on 30 June 2016.

The Company is an investment holding company. The principal activities and other details of its subsidiaries are set out in note 31.

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 REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

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

Amendments to HKAS 19	Defined benefit plans: Employee contributions
Amendments to HKFRSs	Annual improvements to HKFRSs 2010–2012 cycle
Amendments to HKFRSs	Annual improvements to HKFRSs 2011–2013 cycle

The application of the amendments to HKFRSs 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS “HKFRSs”) (Continued)

New and revised HKFRSs in issue but not yet effective

The Group has not early applied the following 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 ²
HKFRS 16	Leases ³
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions ²
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture ⁴
Amendments to HKFRS 10, HKFRS 12 and HKAS 28	Investment entities: Applying the consolidation exception ¹
Amendments to HKFRS 11	Accounting for acquisitions of interests in joint operations ¹
Amendments to HKFRS 15	Clarifications to HKFRS 15 Revenue from contracts with customers ²
Amendments to HKFRSs	Annual improvements to HKFRSs 2012–2014 cycle ¹
Amendments to HKAS 1	Disclosure initiative ¹
Amendments to HKAS 7	Disclosure initiative ⁵
Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses ⁵
Amendments to HKAS 16 and HKAS 38	Clarification of acceptable methods of depreciation and amortisation ¹
Amendments to HKAS 16 and HKAS 41	Agriculture: Bearer plants ¹
Amendments to HKAS 27	Equity method in separate financial statements ¹

¹ Effective for annual periods beginning on or after 1 January 2016.

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 a date to be determined.

⁵ Effective for annual periods beginning on or after 1 January 2017.

HKFRS 9 Financial instruments

HKFRS 9 issued in 2009 introduced new requirements for the classification and measurement of financial assets. HKFRS 9 was subsequently amended in 2010 to include the requirements for the classification and measurement of financial liabilities and for derecognition, and in 2013 to include the new requirements for general hedge accounting. Another revised version of HKFRS 9 was issued in September 2014 mainly to include a) impairment requirements for financial assets and b) limited amendments to the classification and measurement requirements by introducing a ‘fair value through other comprehensive income’ (“FVTOCI”) measurement category for certain simple debt instruments.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 9 Financial instruments (Continued)

In relation 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. 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 2016 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 Hong Kong Accounting Standard (“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.

The directors of the Company anticipate that the adoption of HKFRS 15 in the future will not have a material impact on the amounts reported in consolidated financial statements based on the existing business model of the Group as at 30 September 2016.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”) (Continued)

HKFRS 16 Leases

HKFRS 16, which upon the effective date will supersede HKAS 17 “Leases”, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under HKFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under HKAS 17.

As set out in note 27, total operating lease commitment as lessee of the Group in respect of leased premises as at 30 September 2016 amounted to HK\$174,000. The directors of the Company do not expect the adoption of HKFRS 16 as compared with the current accounting policy would result in significant impact on the Group’s result but it is expected that certain portion of these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

The directors of the Company anticipate that the application of other new and revised HKFRSs will have no material impact on the consolidated financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The consolidated financial statements have been prepared in accordance 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 (the “GEM Listing Rules”) of the Stock Exchange and by the disclosure requirements of the Hong Kong Companies Ordinance (“CO”).

The provisions of the new CO (Cap 622) regarding preparation of accounts and directors’ report and audits became effective for the Company for the financial year ended 30 September 2016. Further, the disclosure requirements set out in the GEM Listing Rules regarding annual accounts have been amended with reference to the new CO and to streamline with HKFRSs. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 30 September 2016 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 30 September 2015 are presented or disclosed in the consolidation financial statements based on the new requirements. Information previously required to be disclosed under the predecessor CO or GEM Listing Rules but not under the new CO or amended GEM Listing Rules are not disclosed in these consolidated financial statements.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of preparation

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.

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 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, leasing transactions that are within the scope of HKAS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 or value in use for the purposes of impairment assessment in HKAS 36.

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.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- has exposure, or rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss from the date the Group gains control until the date when the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of the subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

Dividend income from investments is recognised when the Group's rights to receive payment has been established (provided that it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably).

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment

Property, plant and equipment including leasehold land (classified as finance leases) and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost or deemed cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of these property, plant and equipment, less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the profit or loss.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'loss before tax' as reported in the consolidated statement of profit or loss because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of a deferred tax asset is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax is recognised in profit or loss.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term.

Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease. Specifically, the minimum lease payments (including any lump-sum upfront payments) are allocated between the land and the building elements in proportion to the relative fair values of the leasehold interests in the land element and building element of the lease at the inception of the lease.

When the lease payments cannot be allocated reliably between the land and building elements, the entire lease is generally classified as a finance lease and accounted for as property, plant and equipment.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Group's net investment in a foreign operation, in which case, such exchange differences are recognised in other comprehensive income and accumulated in equity and will be reclassified from equity to profit or loss on disposal of the foreign operation.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. HK\$) using exchange rate prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the year. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of the exchange reserve.

Retirement benefit costs

Payments to defined contribution retirement benefits schemes, state-managed retirement benefit schemes and Mandatory Provident Fund Scheme ("MPF Scheme") are charged as an expense when employees have rendered service entitling them to the contributions.

Share-based payment transactions

Equity-settled share-based payment transactions

Share options granted to employees

In respect of share options, the fair value of services received is determined by reference to the fair value of share options granted at the grant date. The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At the end of the reporting period, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the original estimates during the vesting period, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based compensation reserve.

When the share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated losses.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at FVTPL and loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at FVTPL

Financial assets at FVTPL of the Group are classified as held-for-trading. A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future;
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Financial assets at FVTPL are measured at fair value, with changes in fair value arising from remeasurement recognised directly in profit or loss in the period in which they arise. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial assets and is included in the 'other income, gains and losses' line item. Fair value is determined in the manner described in note 24.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including trade and other receivables and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment of loans and receivables below).

Impairment of loans and receivables

Loans and receivables are assessed for indicators of impairment at the end of each reporting period. Loans and receivables are considered to be impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition, the estimated future cash flows of the loans and receivables have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of loans and receivables, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments and observable changes in national or local economic conditions that correlate with default on receivables.

For loans and receivables carried at amortised cost, the amount of impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial assets original effective interest rate.

The carrying amount of the loans and receivables is reduced by the impairment loss directly for all loans and receivables with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When the trade receivables are considered uncollectible, they are written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

If, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

3. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity instruments

Classified as debt and equity instruments

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities including trade payables, other payables and accrued charges and bank borrowings are subsequently measured at amortised cost, using the effective interest method.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. Interest expense is recognised on an effective interest basis.

Derecognition

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continue to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risk and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognize a collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

The Group derecognises financial liabilities when, and only when, the obligation are discharged, cancelled or expired. The difference between the carrying amount of a financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Allowance for trade receivables

When there is objective evidence of an impairment loss, the Group takes into consideration the estimation of future cash flows to determine the impairment loss. The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). Where the actual future cash flows are less than expected, a material impairment loss may arise. At the end of the reporting period, the carrying amount of trade receivables is HK\$1,975,000 (2015: HK\$5,933,000).

5. REVENUE

An analysis of the Group's revenue for the years is as follows:

	2016 HK\$'000	2015 HK\$'000
Sale of apparel products	23,122	54,351

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

6. SEGMENT INFORMATION

The Group's operations is solely derived from the garment distribution for both years. For the purpose of resources allocation and performance assessment, the chief operating decision maker (i.e. the chief executive officer of the Group) reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies set out in note 3. Accordingly, the Group has only one single operating segment and no further analysis of this single segment is presented.

Revenue from major products

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

	2016 HK\$'000	2015 HK\$'000
Innerwear	15,243	30,334
Casual wear	3,481	7,898
Baby and children wear	4,398	16,119
	23,122	54,351

Geographical information

The Group's operation is mainly carried out in Hong Kong. The Group's revenue is mainly derived from customers located in Sweden, the United Kingdom (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	
	2016 HK\$'000	2015 HK\$'000	2016 HK\$'000	2015 HK\$'000
Sweden	4,052	7,326	—	—
The U.K.	11,879	23,101	—	—
Spain	3,568	16,063	—	—
Hong Kong	2,608	6,169	1,786	940
Others	1,015	1,692	—	—
	23,122	54,351	1,786	940

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

6. SEGMENT INFORMATION (Continued)

Information about major customers

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

	2016 HK\$'000	2015 HK\$'000
Customer A	11,879	21,874
Customer B	4,052	7,014
Customer C	3,568	16,063

7. OTHER INCOME, GAINS AND LOSSES

	2016 HK\$'000	2015 HK\$'000
Change in fair value of investments held-for-trading	(78)	(437)
Bank interest income	—	32
Dividend income from held-for-trading investments	99	5
Loss on disposal of property, plant and equipment	—	(23)
Other	—	(11)
	21	(434)

8. FINANCE COSTS

	2016 HK\$'000	2015 HK\$'000
Interest on bank borrowings	26	176

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS

The emoluments paid or payable to each of the 12 (2015: 6) directors and chief executive officers disclosed pursuant to the applicable GEM Listing Rules and CO were as follows:

Year ended 30 September 2016

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Equity-settled share-based payments HK\$'000	Total 2016 HK\$'000
<i>Executive directors</i>					
Law Kin Wah, Kenneth (Note (i))	368	—	8	—	376
Ling Wing Shan (Note (i))	618	—	8	—	626
Liu Sit Lun (Note (i))	1,215	—	8	—	1,223
Sun Wing Man, Doris (Note (i))	302	—	7	—	309
Ko Chun Hay, Kelvin (Note (ii))	270	—	9	—	279
Lam Mei Nar, Miller (Note (ii))	115	—	—	—	115
<i>Independent non-executive directors</i>					
Chan Hau Man (Note (i))	66	—	—	—	66
Lau Tak Wai, Davie (Note (i))	66	—	—	—	66
Lau Yau Ying, Karen (Note (i))	66	—	—	—	66
Li Xiao Dong (Note (ii))	11	—	—	—	11
Zhang Qing (Note (ii))	11	—	—	—	11
Li Kar Fai, Peter (Note (ii))	19	—	—	—	19
Total	3,127	—	40	—	3,167

Year ended 30 September 2015

	Directors' fees HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Equity-settled share-based payments HK\$'000 (Note (iv))	Total 2015 HK\$'000
<i>Executive directors</i>					
Ko Chun Hay, Kelvin (Note (ii))	420	—	18	814	1,252
Ko Yung Tong (Note (iii))	120	—	6	—	126
Lam Mei Nar, Miller (Note (ii))	90	—	5	814	909
<i>Independent non-executive directors</i>					
Li Xiao Dong (Note (ii))	18	—	—	—	18
Zhang Qing (Note (ii))	18	—	—	—	18
Li Kar Fai, Peter (Note (ii))	30	—	—	118	148
Total	696	—	29	1,746	2,471

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

9. DIRECTORS' AND CHIEF EXECUTIVE OFFICER'S EMOLUMENTS (Continued)

Notes:

- (i) The disclosed emoluments represented the emoluments received or receivable after his/her appointment of directorship on 20 May 2016.
- (ii) The disclosed emoluments represented the emoluments received or receivable before his/her resignation of directorship on 20 May 2016.
- (iii) The disclosed emolument for Mr. Ko Yung Tong represented the emoluments received or receivable before his resignation of directorship on 31 March 2015.
- (iv) Equity-settled share-based payments represent share options granted to directors of the Company in year 2015 under a share option scheme adopted by the Company. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions.

Details of share options granted during the year ended 30 September 2015 to directors of the Company and other employee, including the principal terms and number of options granted, are set out in note 25.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

Before 20 May 2016, Mr. Ko Chun Hay, Kelvin was the Chief Executive Officer of the Company. Upon the resignation of Mr. Ko Chun Hay, Kelvin, Mr. Liu Sit Lun became the Chief Executive Officer. Their emoluments disclosed above include those for services rendered by them as Chief Executive Officer.

During both years, no emoluments were paid by the Group to the directors of the Company as compensation for loss of office or an inducement to join or upon joining the Group. None of the directors of the Company has waived any emoluments in both years.

Subsequent to the end of the reporting date, Mr. Ling Wing Shan has resigned as executive director with effect from 14 October 2016.

Subsequent to the end of the reporting date, Mr. Lau Tak Wai Davie, Ms. Lau Yat Ying Karen and Ms. Chan Hau Man have resigned as independent non-executive director with effect from 7 November 2016.

Subsequent to the end of the reporting date, Ms. Yang Haibi, Ms. Sun Yuan, Mr. Zhang Tianbao and Ms. Sun Huiyan have been appointed as independent non-executive director with effect from 7 November 2016.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

10. EMPLOYEE'S EMOLUMENTS

Of the five individuals with the highest emoluments in the Group, five (2015: three) were directors of the Company whose emoluments are set out in note 9. The emoluments of the remaining individuals are as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other benefits	—	300
Contributions to retirement benefits schemes	—	15
	—	315

Their emoluments were within the following bands:

	2016 Number of employees	2015 Number of employees
Less than HK\$1,000,000	—	2

11. LOSS BEFORE TAXATION

	2016 HK\$'000	2015 HK\$'000
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	500	500
Cost of inventories recognised as an expense	21,854	50,917
Depreciation of property, plant and equipment	58	170
Minimum lease payments in respect of premises under operating leases	174	200
Legal and professional fees	2,925	245
Staff costs including directors' emoluments		
– Salaries and other benefits	4,353	2,031
– Contributions to retirement benefits schemes	289	65
– Equity-settled share-based payments	—	1,805
Total staff costs	4,642	3,901

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

12. TAXATION CREDIT

	2016 HK\$'000	2015 HK\$'000
Overprovision in prior year in Hong Kong	—	138

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.

Taxation for the year can be reconciled to the loss before taxation per the consolidated statement of profit or loss as follows:

	2016 HK\$'000	2015 HK\$'000
Loss before taxation	(10,587)	(5,280)
Taxation credit at the Hong Kong Profits Tax rate of 16.5%	(1,747)	(871)
Tax effect of expenses not deductible for tax purposes	597	298
Tax effect of income not taxable for tax purposes	(16)	(2)
Tax effect of the tax losses not recognised	1,166	575
Overprovision in prior years	—	(138)
Taxation for the year	—	(138)

At the end of the reporting period, the Group had unused tax losses of HK\$20,231,000 (2015: HK\$13,164,000) available for offsetting against future profits which are subjected to the confirmation from Hong Kong Inland Revenue Department and the PRC Tax Bureau. No deferred tax asset has been recognised due to unpredictability of future profit streams. As at 30 September 2016, included in unrecognised tax losses are losses of HK\$2,189,000 (2015: HK\$2,194,000) which will expire in 2021 (2015: 2020) respectively, while subsequent to the end of the reporting date, these unrecognised tax losses are expired upon deregistration of a subsidiary of the Company. The remaining balances of unrecognised tax losses may be carried forward indefinitely.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

13. DIVIDENDS

No dividend was paid or proposed during the year ended 30 September 2016, nor has any dividend been proposed since the end of the reporting period (2015: nil).

14. 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

	2016 HK\$'000	2015 HK\$'000
Loss for the purposes of basic and diluted loss per share		
Loss for the year attributable to owners of the Company	(10,587)	(5,280)

Number of shares

	2016	2015
Weighted average number of ordinary shares in issue for the purposes of basic and diluted loss per share	694,754,098	692,000,000

The computation of diluted loss per share for the year ended 30 September 2016 and 2015 does not assume the exercise of the Company's share options as they would reduce loss per share.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and office equipment HK\$'000	Motor vehicles HK\$'000	Total HK\$'000
COST					
At 1 October 2014	1,000	30	49	700	1,779
Disposals	—	(30)	—	—	(30)
At 30 September 2015 and 2016	1,000	—	49	700	1,749
DEPRECIATION					
At 1 October 2014	95	7	12	532	646
Provided for the year	20	—	10	140	170
Eliminated on disposal	—	(7)	—	—	(7)
At 30 September 2015	115	—	22	672	809
Provided for the year	20	—	10	28	58
At 30 September 2016	135	—	32	700	867
CARRYING VALUES					
At 30 September 2016	865	—	17	—	882
At 30 September 2015	885	—	27	28	940

The above items of property, plant and equipment are depreciated on a straight-line basis at the following rates per annum:

Leasehold land and buildings	Over the shorter of the lease terms or 50 years
Furniture, fixtures and office equipment	20%
Plant and machinery	20%
Motor vehicles	20%

At 30 September 2015, leasehold land and buildings of the Group with carrying values of HK\$885,000 were pledged with a bank to secure banking facilities granted to the Group. The leasehold land was situated in Hong Kong under medium lease. In the opinion of the directors of the Company, allocation of the carrying amounts between the leasehold land and buildings elements could not be made reliably, accordingly, the owner-occupied leasehold land and buildings of HK\$865,000 (2015: HK\$885,000) were included in property, plant and equipment.

The pledge is released by the bank during the year ended 30 September 2016.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

16. DEPOSIT PAID FOR ACQUISITION OF A SUBSIDIARY

In July 2016, the Company entered into a memorandum of understanding with an independent third party to acquire 80% issued shares of EIFS (Greater China) Limited (the "EIFS") at a consideration of not more than HK\$2,000,000 of which HK\$200,000 was paid as deposit included under the non-current assets. EIFS is incorporated in Hong Kong with principal business of insurance brokerage in Hong Kong. The acquisition is not yet completed as at the date of this report.

17. TRADE AND OTHER RECEIVABLES

	2016 HK\$'000	2015 HK\$'000
Trade receivables	1,975	5,933
Bills receivables	—	1,580
Total trade and bills receivables	1,975	7,513
Deposits made to suppliers	—	6,994
Other receivables	172	71
	2,147	14,578

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

	2016 HK\$'000	2015 HK\$'000
Trade receivables		
0–30 days	748	4,565
31–60 days	1,227	1,368
	1,975	5,933
Bills receivables		
Less than 30 days	—	1,580
	1,975	7,513

The Group's credit terms for its major customers are usually 15 to 60 days.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

17. TRADE AND OTHER RECEIVABLES (Continued)

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 receivable balances net of allowance for bad and doubtful debts 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 credit quality and there are continuous subsequent settlements from these customers. The Group does not hold any collateral over trade receivables.

Movement in the allowance for bad and doubtful debts

	2016 HK\$'000	2015 HK\$'000
Balance at beginning of the year	—	1,269
Amounts written off as uncollectible	—	(1,269)
Balance at end of the year	—	—

All receivables as at 30 September 2016 and 2015 were neither past due nor impaired, and thus the Group has not provided for impairment loss on trade receivables for both years.

Transfer of financial assets

The following were the Group's bills receivables as at 30 September 2015 that were transferred to banks by discounting bills receivables on a full recourse basis. As the Group had not transferred the significant risks and rewards relating to these receivables, it continued to recognise the full carrying amount of the receivables and had recognised the cash received on the transfer as secured bank borrowings (see note 21). These financial assets were carried at amortised cost in the Group's consolidated statement of financial position.

	2015 HK\$'000
Carrying amount of transferred assets	1,580
Carrying amount of associated liabilities	(1,178)

18. INVESTMENTS HELD-FOR-TRADING

The amount represents equity securities listed in Hong Kong.

The fair value measurement of the investments held-for-trading of the Group is grouped in Level 1. There is no transfer between different levels for both years.

At 30 September 2015, the Group's investments in held-for-trading with a carrying value of approximately HK\$1,427,000 were pledged to secure certain borrowing facilities granted to the Group. The pledge is released by the bank as the bank borrowing was fully repaid during the year ended 30 September 2016.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

19. BANK BALANCES AND CASH

Bank balances held by the Group comprised of bank deposits which carry interest at an range of 0.01% to 0.1% (2015: 0.01% to 0.1%) per annum.

20. TRADE PAYABLES

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

	2016 HK\$'000	2015 HK\$'000
0–30 days	824	—

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

21. BANK BORROWINGS

The following table provides an analysis of the bank borrowings:

	2016 HK\$'000	2015 HK\$'000
Secured import loan	—	1,820
Collateralised bank borrowings on bills discounted with recourse	—	1,178
	—	2,998
Carrying amount of the bank borrowing that contains a repayable on demand clause – repayable within one year	—	2,998

The secured bank borrowings as at 30 September 2015 were secured by the assets pledged as disclosed in note 26.

As at 30 September 2015, the Group had floating-rate bank borrowings which carried interest at the Best Lending Rate as set by the bank.

The effective interest rate on floating-rate bank borrowings (which was also equal to contracted interest rates) on the Group's bank borrowings as at 30 September 2015 was 5.25% per annum.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

22. SHARE CAPITAL

	Number of shares '000	HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 1 October 2014, 30 September 2015 and 30 September 2016	10,000,000	100,000
Issued and fully paid:		
At 1 October 2014 and 30 September 2015	692,000	6,920
Share capital issued under placing (Note)	48,000	480
At 30 September 2016	740,000	7,400

Note: On 9 September 2016, an aggregate of 48,000,000 placing shares were placed to not less than six placees at the placing price of HK\$0.63 per placing share. The gross proceeds and net proceeds from the placing were approximately HK\$30,240,000 and HK\$29,333,000, respectively.

23. CAPITAL RISK MANAGEMENT

The Group manages its capital 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 capital structure of the Group consists of debt, which includes bank borrowings disclosed in note 21, net of bank balances and cash and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group 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.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

24. FINANCIAL INSTRUMENTS

Categories of financial instruments

	2016 HK\$'000	2015 HK\$'000
Financial assets		
Loans and receivables (including cash and cash equivalents)	37,772	14,365
Investments held-for-trading	1,349	1,427
Financial liabilities		
Amortised cost	2,120	3,697

Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, bank balances and cash, trade payables, other payables and accrued charges and bank borrowings. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

(i) Currency risk

The Group's transactions are mainly denominated in United States dollars ("USD") (which is the functional currency of respective group entity) except for certain other receivables and bank balances which are denominated in Renminbi ("RMB"), a currency other than the functional currency of the respective group entities.

The Group currently does not have a foreign currency hedging policy. However, management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets at the end of the reporting period are approximately as follows:

	Assets	
	2016 HK\$'000	2015 HK\$'000
RMB	100	164

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Currency risk (Continued)

Sensitivity analysis

5% is the sensitivity rate used which represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding denominated monetary items and adjusts their translation at the year end for a 5% change in the foreign currency exchange rate. A positive number below indicates decrease in post-tax loss for the year where RMB strengthens 5% against HK\$ respectively, the functional currency of the respective group entities. For a 5% weakening of RMB against HK\$, there would be an equal and opposite impact on the post-tax loss for the year and the balances below would be negative.

	2016 HK\$'000	2015 HK\$'000
Decrease in post-tax loss for the year	4	7

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to the impact of interest rate changes on bank balances.

The Group currently does not have interest rate hedging policy. However, management of the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

For the variable-rate bank balances at 30 September 2016 and 2015, the directors of the Company consider the Group's exposure to future cash flow interest rate risk is minimal taking into account the minimal fluctuation on market interest rate during the end of the reporting period. Accordingly, no sensitivity analysis on interest rate risk is presented.

(iii) Price risk

Price risk on equity securities

As at 30 September 2016 and 2015, the Group is exposed to listed equity securities price risk through its investments held-for-trading. The directors of the Company manages this exposure by closely monitoring the performance of the investments and market conditions. The directors of the Company would consider diversifying the portfolio of investments as they consider appropriate.

Sensitivity analysis

If the quoted prices of the respective equity instruments had been 5% higher/lower and all other variables were held constant, loss for the year ended 30 September 2016 would decrease/increase by HK\$67,000 (2015: HK\$71,000) as a result of the changes in fair value of investments held-for-trading.

In the opinion of the directors of the Company, the sensitivity analysis is unrepresentative of the inherent price risk in relation to changes in fair value of investments held-for-trading as at the end of the reporting period exposure does not reflect the exposure during the year.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Credit risk

The Group's credit risk is primarily attributable to trade and receivables and bank balances as at 30 September 2016 and 2015.

The Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. In order to minimise the credit risk, the directors of the Company have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the directors of the Company review the recoverable amount of each individual trade debt at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group also has concentration of credit risk as 84% (2015: 73%) of the total trade receivables is due from one major customer. This customer is a subsidiary of a British multinational retailing company. Continuous subsequent settlements are received and there is no historical default of payments by this customer. Management of the Group assigned a team to closely follow up the debts due.

Other than that, the Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

The Group's bank balances are placed with banks of good reputation and the Group has limited exposure to any single financial institution.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. Management of the Group monitors the utilisation of bank borrowings and ensures compliance with loan covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. Specifically, bank borrowings with a repayment on demand clause are included in the earliest time band regardless of the probability of the banks choosing to exercise their rights. The maturity dates for financial liabilities are based on the agreed repayment dates.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived from interest rate at the end of the reporting period.

Liquidity tables

	Weighted average effective interest rate %	On demand HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
2016						
Trade payables	—	—	824	—	824	824
Other payables and accrued charges	—	—	1,296	—	1,296	1,296
		—	2,120	—	2,120	2,120

	Weighted average effective interest rate %	On demand HK\$'000	1 month to 3 months HK\$'000	3 months to 1 year HK\$'000	Total undiscounted cash flows HK\$'000	Carrying amount at the end of the reporting period HK\$'000
2015						
Other payables and accrued charges	—	—	699	—	699	699
Bank borrowings, secured	5.25	2,998	—	—	2,998	2,998
		2,998	699	—	3,697	3,697

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

24. FINANCIAL INSTRUMENTS (Continued)

Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

Secured bank borrowings with a repayment on demand clause as at 30 September 2015 are included in the “on demand” time band in the above maturity analysis. The carrying amount of the secured bank borrowing amounted to approximately HK\$2,998,000 as at 30 September 2015. As at 30 September 2015, the aggregate principal and interest cash outflows would amounting to HK\$3,012,000 if the borrowings are repaid in accordance with the scheduled repayment dates set out in the loan agreements which is repayable within three months. During the year ended 30 September 2016, the borrowings were repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Fair value

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of investments held for trading is calculated using quoted prices in active market;
- the fair value of other financial assets and financial liabilities is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate to their fair values.

25. SHARE OPTIONS SCHEME

The share option scheme of the Company was adopted pursuant to a resolution in writing of all shareholders passed on 3 November 2010 (the “Share Option Scheme”). The purposes of the Share Option Scheme are to provide incentives or rewards to full time or part-time employees, executives, officers, directors, business consultants, agents, legal and financial advisers of the Company and the Company’s subsidiaries for their contribution to the success of the Group’s operations. The Share Option Scheme became effective on 3 November 2010 (“Effective Date”), unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares of the Company available for issue under the Share Option Scheme must not in aggregate, exceed 69,200,000 shares, representing 10% of the issued share capital of the Company (692,000,000 shares) at the Effective Date.

The maximum number of shares issuable upon exercise of the options which may be granted under the Share Option Scheme (including exercised, cancelled or outstanding options) to each participant (other than a substantial shareholder, chief executive or director as explained below) in any 12-month period shall not exceed 10% of the issued share capital of the Company for the time being. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

25. SHARE OPTIONS SCHEME (Continued)

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their respective associates (as defined under the GEM Listing Rules), are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their respective associates, (as defined under the GEM Listing Rules) in excess of 0.1% of the shares of the Company in issue with an aggregate value (based on the closing price of the Company's shares at the date of the grant) in excess of HK\$5,000,000, in the 12-month period up to and including the date of grant, are subject to shareholders' approval in a general meeting.

The offer of a grant of share options may be accepted in writing by a participant within 28 days from the date of offer upon payment of a nominal consideration of HK\$1 by the grantee. The exercise period of the share options granted is determined by the directors, which period may commence from the date of acceptance of the offer for the grant of share options but shall end, in any event, not later than 10 years from the date of the conditional adoption of the Share Option Scheme by the shareholders subject to the provisions for early termination under the Share Option Scheme.

The exercise price is determined by the directors of the Company, and shall not be less than the highest of (i) the closing price of the shares on the date of grant, (ii) the average closing price of the share for the five business days immediately preceding the date of grant, and (iii) the nominal value of the Company's shares.

On 13 July 2015, the Company granted 14,800,000 share options to its directors and 500,000 share options to an employee who are entitled to subscribe for a total of 15,300,000 new shares at an exercise price of HK\$0.222 per share with nominal value of HK\$0.01 each in the capital of the Company upon the exercise of the share options in full. Options granted must be taken up within 28 days of the date of grant, upon payments of HK\$1 by each of the grantees. The options may be exercised at any time after the date of grant of the share options to the fifth anniversary of the date of grant.

In accordance with terms of the Share Option Scheme, options granted on 13 July 2015 vested at the date of grant.

Pursuant to the sale and purchase agreement between Magic Ahead and China Merit dated 15 March 2016 as disclosed in note 1, all option holders agreed to forfeit all outstanding share options as at 16 March 2016. Upon forfeiture of the share options, share-based compensation reserve of HK\$3,124,000 was transferred to accumulated losses.

The following table discloses movement of and weighted average exercise prices of the Company's share options:

	2016		2015	
	Weighted average exercise price HK\$ per share	Number of options	Weighted average exercise price HK\$ per share	Number of options
Outstanding at the beginning of the year	0.136	42,900,000	0.089	27,600,000
Granted during the year	—	—	0.222	15,300,000
Forfeited during the year	0.136	(42,900,000)	—	—
Outstanding at the end of the year	—	—	0.136	42,900,000
Exercisable at the end of the year	—	—	0.136	42,900,000

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

25. SHARE OPTIONS SCHEME (Continued)

The following assumptions were used to calculate the fair values of share options at the date of grant:

13 July 2015

Grant date share price	HK\$0.222
Exercise price	HK\$0.222
Expected volatility	76.62%
Expected life	5 years
Expected dividend yield	0%
Risk-free rate (based on Hong Kong Exchange Fund Notes)	1.24%

The expected volatility is based on the historic volatility (calculated based on the weighted average remaining life of the share options), adjusted for any expected changes to future volatility due to publicly available information. Expected dividends are based on historical dividends. Changes in the subjective input assumptions could materially affect the fair value estimate.

The binomial option pricing model has been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the best assessment of the directors of the Company on the valuer's estimation. Changes in variables and assumptions may result in changes in the fair value of the share options.

26. PLEDGE OF ASSETS

The carrying amounts of the assets pledged to secure bank borrowings granted to the Group were as follows:

	2016 HK\$'000	2015 HK\$'000
Leasehold land and buildings	—	885
Investments held-for-trading	—	1,427
	—	2,312

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

27. LEASE COMMITMENTS

The Group as lessee

At the end of the reporting period, the Group had commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2016 HK\$'000	2015 HK\$'000
Within one year	174	174
In the second to fifth year inclusive	—	174
	174	348

For the lease of properties, they are negotiated for terms of 1 to 2 years.

28. RETIREMENT BENEFITS SCHEMES

The Group operates a MPF scheme under the Hong Kong Mandatory Provident Fund Schemes Ordinance for employees employed under the jurisdiction of the Hong Kong Employment Ordinance. The MPF scheme is a defined contribution retirement plan administered by independent trustees. Under the MPF scheme, the employer and its employees are each required to make contributions to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK\$30,000. The Group also participates in a state-managed scheme. The employees of the Group's subsidiaries in the PRC are members of a state-managed retirement benefit scheme operated by the government of the PRC. The subsidiaries are required to contribute certain percentages of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit scheme is to make the specified contributions.

The contributions paid and payable to the schemes by the Group are disclosed in note 11.

29. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	2016 HK\$'000	2015 HK\$'000
Salaries and other short-term employee benefits	3,167	974
Equity-settled share-based payments	—	1,805
	3,167	2,779

The remuneration of directors and key executives is determined by the remuneration committee having regard to the performance of individuals and market trends.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

30. EVENTS AFTER THE REPORTING PERIOD

On 27 September 2016, the Company signed a sale and purchase agreement with an independent third party to acquire the entire equity interest of China Hanya Asset Management Limited, a Hong Kong incorporated entity engaged in asset management services in Hong Kong, with a cash consideration of HK\$5,800,000.

On 3 November 2016, the Company signed a sale and purchase agreement with an independent third party to acquire the entire equity interest of Shining Securities Company Limited, a Hong Kong incorporated entity engaged in the business of securities dealings, with a consideration of HK\$24,000,000. The consideration will be settled with the issuance of 25,000,000 new shares of the Company at the price of HK\$0.96 per share.

The above mentioned acquisitions are not yet completed at the date of this report.

In October 2016, the Company entered into a sale and purchase agreement with an independent third party to acquire entire issued shares of Just In Time Finance Limited (the "Just In Time Finance") at a consideration of HK\$1,000,000. Just In Time Finance is incorporated in Hong Kong with principal business of money lending in Hong Kong. The acquisition has been completed subsequently as at 30 November 2016. The directors of the Company are in the process of considering and qualifying the valuation of all identifiable assets and liabilities of Just In Time Finance.

31. PARTICULARS OF SUBSIDIARIES

Particulars of the subsidiaries of the Company at 30 September 2016 and 30 September 2015.

Name	Place of incorporation and business	Nominal value of issued and paid up share capital/ registered capital	Group's effective interest	Held by the Company	Held by a subsidiary	Principal activities
Prosperity Global Investments Limited	British Virgin Islands	US\$20,000	100%	100%	—	Investment holding in Hong Kong
Koko Garment (Huizhou) Limited	Hong Kong	HK\$100,000	100%	—	100%	Sales of garment in Hong Kong
Brilliance Investment Holdings Limited	Hong Kong	HK\$10,000	100%	—	100%	Investment holding in Hong Kong
Billion Shine Investment Limited	Hong Kong	HK\$10,000	100%	—	100%	Dormant
惠州市再高商貿有限公司 ("再高商貿") (Note)	PRC	HK\$1,000,000	100%	—	100%	Dormant

Note: 再高商貿 was established on 5 September 2013. It is a wholly foreign-owned enterprise established in the PRC, and was deregistered on 4 November 2016.

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2016 HK\$'000	2015 HK\$'000
Non-current assets		
Investment in subsidiaries	—	4,332
Amount due from subsidiaries	15,400	20,057
Deposit paid for acquisition of a subsidiary	200	—
Deposit paid for acquisition of plant and equipment	704	—
	16,304	24,389
Current assets		
Other receivables	169	66
Cash and bank balances	28,101	3,846
	28,270	3,912
Current liabilities		
Other payables and accrued charges	1,133	561
Amounts due to subsidiaries	4,039	6,715
	5,172	7,276
Net current assets (liabilities)	23,098	(3,364)
Net assets	39,402	21,025
Equity		
Share capital	7,400	6,920
Reserves (Note)	32,002	14,105
Total equity	39,402	21,025

Notes to the Consolidated Financial Statements (Continued)

For the year ended 30 September 2016

32. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

Movement of reserves

	Attributable to the owners of the Company				Total HK\$'000
	Share premium HK\$'000	Share-based Compensation reserve HK\$'000	Contributed surplus HK\$'000 (Note)	Accumulated losses HK\$'000	
At 1 October 2014	16,489	1,319	18,497	(20,820)	15,485
Loss and total comprehensive expense for the year	—	—	—	(3,185)	(3,185)
Recognition of equity-settled share-based payments	—	1,805	—	—	1,805
At 30 September 2015	16,489	3,124	18,497	(24,005)	14,105
Loss and total comprehensive expense for the year	—	—	—	(10,956)	(10,956)
Forfeiture of equity-settled share-based payments	—	(3,124)	—	3,124	—
Direct transaction costs of shares issued under placing	(907)	—	—	—	(907)
Ordinary shares issued	29,760	—	—	—	29,760
At 30 September 2016	45,342	—	18,497	(31,837)	32,002

Note: Contributed surplus represents the difference between the nominal value of the ordinary shares issued by the Company and the net asset value of subsidiaries acquired through an exchange of shares pursuant to a reorganisation in prior years. This reserve is included in merge reserve upon consolidation.

Financial Summary

The financial results of the Group for the financial years 2012 to 2016 and the assets and liabilities of the Group as at 31 December 2012 and 30 September 2013, 2014, 2015 and 2016 are as follows:

	Years ended	Nine months	Years ended 30 September		
	31 December	ended 30 September	2014	2015	2016
	2012	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Results					
Turnover	105,824	66,691	74,039	54,351	23,122
Profit/(loss) before taxation	(8,185)	(11,584)	(9,535)	(5,418)	(10,587)
Gain on disposal of subsidiaries	—	—	13,383	—	—
Taxation	474	(2,666)	(6,758)	138	—
Profit/(loss) attributable to owners of the Company	(7,711)	(14,250)	(2,910)	(5,280)	(10,587)
Assets and liabilities					
	As at		As at 30 September		
	31 December	2013	2014	2015	2016
	2012	2013	2014	2015	2016
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	62,630	41,480	28,533	23,740	40,907
Total liabilities	(22,837)	(15,199)	(5,004)	(3,697)	(2,120)
Total equity	39,793	26,281	23,529	20,043	38,787

Major Properties Held by the Group

LEASEHOLD LAND AND BUILDING

Location	Existing use	Term of lease	Percentage of interest
Flat 16, 1st Floor Wah Yiu Industrial Centre 30-32 Au Pui Wan Street Fotan New Territories Hong Kong	Office	Medium	100%