BRILLIANCE WORLDWIDE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Code : 8312

Annual Report **2010**

CHARACTERISTICS OF THE GROWTH ENTERPRISE MARKET ("GEM") OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed in the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the "Directors") of 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 the 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 the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

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

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CORPORATE INFORMATION

Board of Directors

Executive Directors

Mr. Ko Yuk Tong *(Chief Executive Offier)*
Mr Ko Chun Hay Kelvin *(Chairman)*
Madam Liu Lai Kuen
Mr. Ko Kam Lun

Independent Non-executive Directors

Mr. Li Kar Fai, Peter
Mr. Zhang Qing
Mr. Li Xiao Dong

Company Secretary

Mr. Chan Cho Chak (*FCCA, CPA*)

Audit Committee

Mr. Li Kar Fai, Peter *(Chairman)*
Mr. Zhang Qing
Mr. Li Xiao Dong

Remuneration Committee

Mr. Li Kar Fai, Peter *(Chairman)*
Mr. Ko Chun Hay, Kelvin
Mr. Li Xiao Dong

Nomination Committee

Mr. Li Kar Fai, Peter *(Chairman)*
Mr. Ko Chun Hay, Kelvin
Mr. Li Xiao Dong

Authorised Representatives

Mr. Ko Chun Hay, Kelvin
Mr. Ko Kam Lun

Compliance Adviser

Tanrich Capital Limited

Principal Bankers

DBS Bank (Hong Kong) Limited
Bank of China Limited

Legal Adviser

As to Hong Kong law:
So Keung Yip & Sin
Hui & Lam

As to PRC law:
Hills & Co.

As to Cayman Islands law:
Appleby

Auditors

CCIF CPA Limited
Certified Public Accountants

Registered Office

Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Headquarters and Principal Place of Business in Hong Kong

Flat 16, 1st Floor
WahYiu Industrial Centre
30–32 Au Pui Wan Street
Fotan, New Territories
Hong Kong

Hong Kong Branch Share Registrar and Transfer Office

Union Registrars Limited
18/F, Fook Lee Commercial Centre
Town Place, 33 Lockhart Road
Wanchai, Hong Kong

Principal Share Registrar and Transfer Office

Appleby Trust (Cayman) Limited
Clifton House
75 Fort Street
P.O. Box 1350
Grand Cayman
KY1-1108
Cayman Islands

Corporate Website

www.yokogt.com

Stock Code

8312

Listing Date

25 November 2010

CHAIRMAN'S STATEMENT

On behalf of the board (the "Board") of directors (the "Directors") of Brilliance Worldwide Holdings Limited (the "Company") and its subsidiaries (together the "Group"), I am writing this statement with great pleasure for the first annual results of the Group after the successful listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The Group's objective is to leverage on its prolonged manufacturing and selling experience to the European market and expand its business in the PRC market by attracting new customers in such geographical segment. The Directors believe that there is a large potential market in PRC in view of its rapid economic growth and the emergence of an increasingly affluent consumer base that is willing to spend on high ended European style apparel products such as innerwear and causal wears being the main products manufactured and sold by the Group in the past years.

In order to expand its market exposure in the PRC market, we are currently developing a strong sales team to determine the sales strategy including price and design, and to research on the spending practices in different Provinces and locations in PRC. Our management team has put in extensive efforts in preliminary enquiries and research and designed to establish our market position. A PRC sales trading company will be set up to deal with all the sales in PRC shortly.

As a stepping stone to go into the PRC consumer market, the Group is in discussion with a large supermarket chain group in Guangdong Province, for launching the Group's key products, men's innerwear. The Group plans to extend to the supermarkets in other locations and Province upon the successful launched of its products in the first target. The second stage of the sales plan will be established concessions in the department stores and various studies on the product ranges, lighting design and overall image of the concession outlook are now carrying out. On the other hand, the Group will continue to seek suitable acquisition opportunities, such as acquiring established brand names in the PRC. We believe that such acquisition will enable the Group to market and to sell innerwear and other apparel products under such brands directly to the mass market in the PRC more quickly and to avoid the time and capital required for building up a brand from inception. However, the Group will carefully considered the cost and benefits of such acquisition before any decision.

Our management team not only focus on enlarging the distribution channels, but also the brand awareness by develop brandnames and promote brand awareness in the PRC. A self-developed brand name is under registration and a Hong Kong singer is in discussion with us as our Group's product representative. We are confident that this opportunity to engage in the booming domestic market in the PRC will generate stronger revenue flow and profitability for the Group in the coming future.

The manufacturing business of the Group, mainly supplying to its European customers, remain stable during the year and will remain the core business of the Group in the coming years. We will continuously carry on the business by accepting profitable sales orders and adopting tight control over manufacturing costs, in view of the continuous rising costs in factory operation in PRC.

For the year ended 31 December 2010, the Group's turnover increased by 3.3% as compared with the corresponding period in the last year, totalling HK$133.2 million. The profit attributable to owners of the Company is HK$8.1 million, representing a decrease of 19.8% over the same period in the last year, with the net profit margin reaching 14.6%.

The Group anticipates that 2011 will be no less challenging than the previous year but it will also bring opportunities for those who are prepared therefore we believe that the proactive stance of our existing business strategy will successfully pave way for impressive growth in 2011 and beyond.

I would like to thank all the Board, the management team and staff for their dedication and contribution to the Group's development. I would also like to thank all the shareholders, customers, suppliers and business partners for their continuous support and trust.

Ko Chun Hay, Kelvin
Chairman
25 March 2011

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is an apparel manufacturer and exporter established in Hong Kong with its principal business of manufacturing and distributing a wide range of innerwear as well as other apparel products on an original equipment manufacturing basis.

The Group's revenues contributed from innerwear, casual wear and baby and children wear for the year ended 31 December 2010 was HK$65.7 million, HK$57.6 million and HK$10.0 million (2009: HK$69.5 million, HK$41.8 million and HK$17.7 million) respectively. Innerwear still maintained a significant revenue stream to the Group. The sales of the Group's casual wear products increased by approximately 37.8% as compared to the year ended 31 December 2009 due to the increase in gross profit margin of casual wear products accepted by the management of the Group. The sales of the Group's baby and children wear decreased by approximately 43.5% as compared to the year ended 31 December 2009 due to the acceptance of less sales orders for baby and children wear products given its nature of relatively complicated manufacturing procedures.

Financial Review

The turnover of the Group for the year ended 31 December 2010 was approximately HK$133.2 million, representing a 3.3% increase from the same period last year. Cost of sales of the Group slightly increased by approximately 5.5% from HK$107.9 million for the year ended 31 December 2009 to HK$113.8 million for the year ended 31 December 2010. As a result of the foregoing, the gross profit of the Group decreased by 7.8%, from approximately HK$21.1 million for the year ended 31 December 2009 to HK$19.4 million for the year ended 31 December 2010. The gross profit margin decreased from 16.3% for the year ended 31 December 2009 to 14.6% for the year ended 31 December 2010. The decrease in gross profit margin was mainly attributable to the increase in cost of sales including the soar of fabric costs and an increase of labour wages. During the year, apparel manufacturers are facing continuous difficulties with the rising cost of production.

With the support and trust gained from its strong European customer base, the Group can still maintain a fair result although there is a fall in profit attributable to the shareholders of the Company. Profit attributable to owners of the Company was approximately HK$8.1 million represent a decrease of approximately 19.8% as compared with approximately HK$10.1 million for the corresponding year in 2009, which are mainly contributed from the fall in gross profit and the inflated value of RMB leading to the increase of operating expenses.

Financial Position and Liquidity

As at 31 December 2010, cash and bank balances of the Group amounted to approximately HK$21.5 million (2009: HK$3.4 million). The current ratio (current asset divided by current liabilities) of the Group improved from 0.9 times as at 31 December 2009 to 2.4 times as at 31 December 2010 mainly resulting from the net proceeds raised from the placing of the shares of the Company on the Stock Exchange on 25 November 2010. In view of the Group's current level of cash and bank balances, funds generated internally from our operations and the unutilised banking facilities available, the Board is confident that the Group will have sufficient resources to meet its debt repayment and finance needs for its operations.

As at 31 December 2010, the Group had interest-bearing bank borrowings and overdraft of HK$4.5 million (2009: HK$3.4 million), of which HK$4.5 million (2009: HK$0.9 million) were repayable within one year and HK$nil (2009: HK$2.5 million) were repayable within 5 years. As at 31 December 2010, the Group's gearing ratio represented by the amount of interest-bearing bank borrowings and overdraft divided by shareholders equity was 10.3% (2009: 38.4%). The sound improvement in the gearing ratio was mainly due to the significant increase in shareholders' equity and decrease in the interest-bearing bank borrowings.

Contingent Liabilities

As at the end of the reporting period, the Group did not have any significant contingent liabilities.

Significant Investments

As at the end of the reporting period, the Group did not have any significant investment plans.

Future Plans for Material Investments or Capital Assets

Save as disclosed in this annual report, there was no specific plan for material investments or capital assets as at 31 December 2010.

Material Acquisitions or Disposals

During the years ended 31 December 2010 and 2009, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Employees and Remuneration Policy

As at 31 December 2010, the Group employed a total of 10 employees and directors in Hong Kong. Total staff costs, including Directors' emoluments, amounted to approximately HK$3.2 million for the year ended 31 December 2010. 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. Up to the date of this report, no share option has been granted under such share option scheme.

Business Objectives and Use of Proceeds

Comparison between business objectives with actual business progress

An analysis comparing the business objectives as stated in the prospectus with the Group's actual business progress for the period from 11 November 2010, being the latest practicable date as defined in the prospectus, to 31 December 2010 is set out below:

Business objective for the period from 11 November 2010 to 31 December 2010 as stated in the Prospectus	Actual business progress up to 31 December 2010
Development and/or acquisition of brandnames	A self-developed brandname is now under registration. For the acquisition of brandnames, it is under discussion with a company in the PRC but no agreement has been arrived
Establishment of design and development team	A team of 3 staff has been set up leading by the Chairman
Development of distribution channels	A supermarket supply chain stores is under discussion with the Group for launching products in its chain stores
Expansion of production capacity	Existing production capacity is adequate for the moment and no expansion has been made

Use of Proceeds

The Company raised approximately HK$22.3 million of net proceeds through the initial placing of the shares of the Company. As at 31 December 2010, approximately HK$2.0 million from the net proceeds had been utilised for working capital of the Group in accordance with the proposed applications set out in the prospectus.

Outlook

The Director expects that there are a lot of business opportunities of apparel manufacturing in PRC, in particular considering to the increasing number of closure of business of apparel factories in the PRC, as the overseas buyers have accustomed to purchase in the PRC for its convenience, quality and reliability. The Directors will carefully select relatively higher price with profitable sales orders while places orders of raw materials as soon as practicable in order to avoid fluctuation of price of raw materials affecting the business. As such, it will unavoidably increase the working capital of the Company. Following the successful listing in the GEM Board of the Stock Exchange, the Group has raised additional capital to meet its future development and has positively supported the Group to meet any possible new challenges.

The Directors are optimistic about the China sales. The extensive apparel manufacturing experience of the Group in the PRC has provided a solid support for high quality apparel products being planned to sell in China. The market position of the Group's products will stay at the medium to high level to capture the rising living standard of Chinese. We are confident on our Group's quality supplies. A trading company within the Group is planned to set up to deal with all of the China sales. Our first brandname for men's innerwear is under registration process now and our products will expect to be formally launched in PRC in the first half of 2011.

Final dividend

The Directors consider development and expansion of sales in the PRC will require additional working capital. The Directors do not recommend the payment of any dividend in respect of the year ended 31 December 2010 (2009: HK$15 million).

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Executive Directors

Mr. Ko Yuk Tong, aged 57, is an executive director and the chief executive offier of the Group. He is responsible for overall corporate and business development of the Group. He is also involved in formulating and monitoring the Group's strategic plan and development of overseas sales and in charge of the supervision of the finance and manufacturing operations of the Group. He has over 30 years' experience in the apparel manufacturing factory in Hong Kong and the PRC. He is currently acting as one of the executives of the acting committee of Huizhou City Huicheng District Foreign Investment Enterprise Association. He is the spouse of Ms. Liu Lai Kuen, the elder brother of Mr. Ko Chun Hay, Kelvin and father of Mr. Ko Kam Lun.

Mr. Ko Chun Hay, Kelvin *Msc, FCPA, ACMA*, aged 47, is the chairman of the Group and an non-executive director appointed on 3 November 2010 and re-designated as an executive director on 25 March 2011. He is responsible for managing and ensuring that the board of director of the Group functions effectively and takes up the responsibilities imposed on a company chairman by the Code on Corporate Governance Practices of the GEM Listing Rules. He holds a master degree of Science in Finance from the City University of Hong Kong. He is a fellow member of the Hong Kong Institute of Certified Public Accountants and an associate member of the Chartered Institute of Management Accountants. He has over 20 years' experience in finance, audit, taxation and management spanning a diverse range of businesses from manufacturing to property development group. He is currently the Consultant to Tongda Group Holdings Limited, a company listed on the main Board of the Hong Kong Stock Exchange. He is the younger brother of Mr. Ko Yuk Tong.

Ms. Liu Lai Kuen, aged 52, is an executive director of the Group. She is responsible for the Group's finance and general administration. She has over 20 years' experience in the apparel manufacturing industry in Hong Kong and the PRC. She is the spouse of Mr. Ko Yuk Tong and the mother of Mr.Ko Kam Lun.

Mr. Ko Kam Lun, *BA,* aged 28, is an executive director of the Group. He has over 4 years' experience in the apparel manufacturing industry and is responsible for supervising the sales and marketing function of the Group. His major daily responsibilities include following up the purchase orders; promoting the Company; assisting customers to satisfy their needs; and building relationships with new customers. He graduated from the Hong Kong Polytechnic University in Bachelor of Arts in Housing Management. He is the son of Mr. Ko Yuk Tong and Ms. Liu Lai Kuen.

Independent Non-Executive Directors

Mr. Li Kar Fai, Peter, *BA, CPA,* aged 46, was appointed as an independent non-executive director on 3 November 2010. He is the chief financial officer of Inno-Tech Holdings Limited, a company listed on the GEM Board of the Hong Kong Stock Exchange and he is in charge of the overall financial management. He is an independent non-executive director of Asia Coal Limited, a company listed on the Main Board of the Hong Kong Stock Exchange. He holds a Bachelor degree in Accountancy from the City University of Hong Kong and is an associate member of the Hong Kong Institute of Certified Public Accountants. He has over 20 years of experience in audit, corporate finance and accounting.

Mr. Zhang Qing, *BA, CICPA,* aged 42, was appointed as an independent non-executive director on 3 November 2010. He is the financial controller of Carlsberg Group, a multinational brewery company with its manufacturing operations in the PRC and he is in charge of the financial management of the divisions in Yunnan Province. He holds a bachelor degree in industrial enterprise management from Jiangxi Radio and Television University, the PRC and is a member of The Chinese Institute of Certified Public Accountants and a certified accountant conferred by the Ministry of Finance, the PRC. He has over 15 years of experience in accounting and financial management with industrial and electronics companies based in the PRC.

Mr. Li Xiao Dong, *MBA, BA,* aged 42, was appointed as an independent non-executive director on 3 November 2010. He is currently the audit manager of Azona Group and is in charge of internal audit and overall financial management. He holds a bachelor degree in finance from Hunan University in the PRC and a master degree of business administration from New York Institute of Technology, US. He worked for a number of multinational companies and listed companies in Hong Kong and has over 15 years of experience in internal audit, financial management and corporate governance. He is a member of the Certified Internal Auditor of the PRC.

Senior Management

Mr. Leung Chi Kin, aged 44, is the general manager of Koko Garment Factory. He is responsible for overseeing the overall production and administration of Koko Garment Factory. He is responsible of convening purchase order review meetings; coordinating the flow between different divisions; assessing suppliers regularly; planning production plans; coordinating with the custom and the Processing Party; approving labour contracts and job applications; and planning administrative work flow and procedures. He had over 10 years of experience in factory management and machinery and equipment repair and maintenance with garments factories in the PRC.

Mr. Pu Li Wei, *BA,* aged 37, is the financial controller responsible for the overall financial planning and management of the Group. He is responsible of executing, auditing and monitoring the internal control; verifying and managing on the foreign exchange and processing trade custom accounts; auditing payment; preparing management accounts; and preparing and filing tax returns. He graduated with a bachelor degree in accountancy from Zhejiang University in the PRC. He is also an accountant conferred by the Ministry of Finance, the PRC. He has over 15 years of experience in accounting, finance and administration.

Mr. Li Xiao Zhong, aged 30, is the plant manager and is responsible for supervising and monitoring the overall management and daily operations of Koko Garment Factory. He is responsible of participating purchase order review meetings; organising master production schedules; computing material requirements plan; issuing production task orders and production materials orders; approving subcontracting orders, such as dyeing and embroidery; managing the utilisation and storage level of raw materials; and coordinating the operation progress and shipping schedule. He has over 10 years of experience in the apparel manufacturing industry in the PRC.

Ms. Wei Mei E, aged 51, is the head of the quality control unit and is responsible for the quality control operations of Koko Garment Factory. Her daily responsibilities include maintaining the quality control manual and the quality control system; cooperating with the customers on assessing factory operations; participating purchase order review meetings to define specific needs of the customers; improving the quality control on different production divisions; assessing the terms and quality of supplies; executing the input quality control and production quality control; assisting customers on accomplishing exporting inspection; and training the quality control team. She has 31 years of experience in quality control in the apparel manufacturing industry.

Ms. Xu Qiu Ping, aged 24, is the manager of the operation and in charge of the operation of the production of Koko Garment Factory. She has worked in a handbag manufacturing factory as an administrative clerk from 2002 to 2003. Her daily responsibilities include participating purchase order review meetings to confirm the production and delivery dates; organising production task paid rate and applying for approvals from general manager; organising the production according to the approved production task; monitoring production lines and reporting production progress; convening production management meetings to review production; and managing emergency incident during production.

Ms. Lau Pin Suan, aged 41, is the production manager. Ms. Lau was graduated in West North Textile College in Kwangtung Province. Ms. Lau joined the Group since 1999. She worked from a production supervisor and promoted to the manager of production since 2001. Her daily responsibilities include participating meeting with the sales to confirm production schedule, co-ordinating sales orders to production lines, monitoring production lines, reporting production progress, management production lines labors and taking charge of any emergency incidents during production.

Mr. Zhang You Qiang, aged 37, is the manager of the product safety and environmental protection department of Koko Garment Factory. Prior to joining the Group in 1999, Mr. Zhang worked in a property development company and a decoration materials company. He is responsible of formulating the quality control strategy in compliance with the environmental protection; requirements of the customers; participating purchase order review meetings to provide environmental protection comments; assessing suppliers to meet the requirement of environmental protection; adjusting the production lines to cope with the production plan; providing maintenance of equipments; providing training on the application of equipment; managing production safety and fire safety; and preparing treatment plans for industrial accidents.

Company Secretary

Mr. Chan Cho Chak, *FCCA, CPA,* aged 48, was appointed as the company secretary of the Company on 1 September 2010. He is a practising accountant in Hong Kong and has over 15 years of professional experience in public accounting and company secretarial work. He is an associate member of the Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants. He holds a Professional Diploma in accountancy from the Hong Kong Polytechnic University. He is the founder partner of Chan Fan & Co., an audit firm established in Hong Kong.

CORPORATE GOVERNANCE REPORT

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value and provide transparency, accountability and independence. The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") for the year ended 31 December 2010.

Compliance with the Required Standard of Dealings in Securities Transactions by Directors

During the year, the Group 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 Group's specific enquiry, each Director confirmed that during the year ended 31 December 2010, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

Board of Directors

The Board comprises four executive directors and three independent non-executive directors and the Board is accountable to shareholders. The management and control of the business of the Company is vested in its 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 page 8 to 10 of this report.

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

The three 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.

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.

The Company listed on the Growth Enterprise Market of the Stock Exchange on 25 November 2010 and during the year ended 31 December 2010, 1 regular board meeting, 1 audit committee meeting and 1 remuneration committee meeting were held on 3 November 2010. The individual attendance record of each Director at the meetings during the financial year is set out below:

	Attendance/Number of meetings		
Name of Directors	**Board**	**Audit committee**	**Remuneration committee**
Executive Directors			
Mr. Ko Yuk Tong *(Chief Executive Officer)*	1/1	1/1	1/1
Mr. Ko Chun Hay, Kelvin *(Chairman)*	1/1	1/1	1/1
Ms. Liu Lai Kuen	1/1	1/1	1/1
Mr. Ko Kam Lun	1/1	1/1	1/1
Independent Non-executive Director	1/1	1/1	1/1
Mr. Li Kar Fai, Peter *(Chairman of audit committee, remuneration committee and nomination committee)*	1/1	1/1	1/1
Mr. Zhang Qing	1/1	1/1	1/1
Mr. Li Xiao Dong	1/1	1/1	1/1

The financial controller and company secretary attended all the scheduled Board meetings to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

Practice and Conduct of Meetings

Annual meeting schedules and draft agenda of each meeting are normally made available to directors in advance.

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 at least 3 days before each Board meeting or audit committee 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 kept by the secretary of the meetings and opened for inspection by the directors.

The Company's articles of association contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

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. The audit committee has three members comprising all the independent non-executive directors, namely, Mr. Li Kar Fai, Peter as the chairman of the audit committee, Mr. Zhang Qing and Mr. Li Xiao Dong.

All 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.

The audit committee has reviewed the Company's annual audited results for the year ended 31 December 2010.

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. The remuneration committee comprises one executive director, namely, Mr. Ko Chun Hay, Kelvin and two independent non-executive directors, namely, Mr. Li Kar Fai, Peter and Mr. Mr. Li Xiao Dong, with Mr. Li Kar Fai, Peter being appointed as the chairman of the remuneration committee. During the year under review, the remuneration committee held 1 meeting to recommend 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.

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. The nomination committee comprises one executive director namely, Mr. Ko Chun Hay, Kelvin and two independent non-executive directors, namely, Mr. Li Kar Fai, Peter and Mr. Mr. Li Xiao Dong, with Mr. Li Kar Fai, Peter has been appointed as the chairman of the nomination committee. The nomination committee is mainly responsible for making recommendations to the Board on appointment of Directors and succession planning of the Directors.

Responsibilities in Respect of the Financial Statements

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

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2010.

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 21 to 22.

Auditor's Remuneration

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2010 amounted to HK$468,000.

Internal Controls

The Board has overall responsibility for the internal control system 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 under review, the Board has conducted a review of the effectiveness of the internal control system of the Company.

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.yokogt.com) has provided an effective communication platform to the public and the shareholders.

REPORT OF THE DIRECTORS

The Directors present their annual report and the audited financial statements for the year ended 31 December 2010.

Principal Activities

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 16 to the 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 31 December 2010 are set out in note 16 to the financial statements.

Results and Dividend

The results of the Group for the year ended 31 December 2010 are set out in the consolidated statement of comprehensive income on page 23 of the annual report.

The Directors do not recommend the payment of any dividend in respect of the year (2009: HK$15,000,000).

Use of IPO Proceeds

The proceeds from the Company's issue of new shares at the time of its listing on the GEM of Stock Exchange in 25 November 2010, after deduction of related issuance expenses, amounted to approximately HK$22.3 million of which HK$2.0 million was used for working capital of the Group in accordance with the proposed applications set out in the prospectus. The unused proceeds amounted to approximately HK$20.0 million as at 31 December 2010 had been placed with the commercial banks in Hong Kong. The Directors believe that the remaining net proceeds will be used according to the intended usages as set out in the prospectus.

Segmental Information

Details of segment reporting are set out in note 32 to the financial statements.

Major Customers and Suppliers

For the year ended 31 December 2010, the aggregate amount of turnover attribute to the Group's five largest customers was 83.0% of total value of the Group's turnover and turnover to the Group's largest customer was approximately 36.9% of the Group's total turnover.

The Group's purchase to the five largest suppliers accounted for 60.3% of the total value of the Group's purchase and purchase to the Group's largest customer was approximately 16.6% of the Group's total purchase.

At no time during the year 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 14 to the financial statements.

Share Capital

Details of movements in the share capital of the Company during the year are set out in note 29 to the financial statements.

Reserves

Movements in reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 26.

Distributable Reserves

At 31 December 2010, the Company's reserves, calculated in accordance with the provisions of Cayman Islands' legislation, amounted to HK$34,847,000.

Purchase, Sale or Redemption of Listed Securities

During the year under review, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the year ended 31 December 2010.

Financial Summary

A summary of the results of the Group for the past three financial years is set out on page 77 of the annual report.

Directors and Directors' Service Contract

The Directors of the Company during the year and up to the date of this report were:

Executive Directors

Mr. Ko Yuk Tong *(Chief Executive Officer)*	(appointed on 3 November 2010)
Mr. Ko Chun Hay, Kelvin *(Chairman)*	(appointed on 3 November 2010 as a non-executive director and re-designated as an executive director on 25 March 2011)
Ms. Liu Lai Kuen	(appointed on 3 November 2010)
Mr. Ko Kam Lun	(appointed on 3 November 2010)

Independent Non-executive Director

Mr. Li Kar Fai, Peter	(appointed on 3 November 2010)
Mr. Zhang Qing	(appointed on 3 November 2010)
Mr. Li Xiao Dong	(appointed on 3 November 2010)

In accordance with the Articles of the Company, 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 nearest to but not less than one-third shall retire from the office and, being eligible, will offer themselves for re-election, at the forthcoming annual general meeting of the Company.

The service contracts between the Company and each of the Directors are for a term of two years which commenced on 3 November 2010 and are subject to renewal by agreement for one or more consecutive terms of three years. Their terms of office are also subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company.

No Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Confirmation of Independence

The Company has received annual confirmations of independence from Mr. Li Kar Fai, Peter, Mr. Zhang Qing, and Mr. Li Xiao Dong pursuant to the Rules Governing the Listing of Securities on 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 report.

Directors' and Seniour Management's Biographies

Biographical details of the directors of the Company and the senior management of the Group are set out on pages 8 to 10 of the annual report.

Directors' Interests in Contracts

Save as disclosed in note 33 to the financial statements, no Director had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, or any of its subsidiaries was a party during the year.

Competing Interest

For the year ended 31 December 2010, the Directors were not aware of any business or interest of the Directors, the controlling shareholder, the management shareholder and their respective associates (as defined under the GEM Listing Rules) that compete 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 "Share option scheme".

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 8 and 9 to the financial statements, respectively.

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.

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

At 31 December 2010, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as 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:

Interest in the Company

Name of director	Notes	Nature of interest	Number of shares	Percentage of the Company's issued share capital
Mr. Ko Yuk Tong	1	Interest of controlled corporation	519,000,000 (L)	75%
Mr. Ko Chun Hay, Kelvin	2	Interest of controlled corporation	519,000,000 (L)	75%
Ms. Liu Lai Kuen	3	Interest of controlled corporation	519,000,000 (L)	75%

Notes:

1. *Mr. Ko Yuk Tong is deemed to be interested in 519,000,000 Shares held by Magic Ahead Investments Limited under the SFO.*
2. *Mr. Ko Chun Hay, Kelvin is deemed to be interested in 519,000,000 Shares held by Magic Ahead Investments Limited under the SFO.*
3. *Ms. Liu Lai Kuen is deemed to be interested in 519,000,000 Shares held by Magic Ahead Investments Limited under the SFO.*

During the year ended 31 December 2010, there were no debt securities issued by the Group and the Company at any time.

As at 31 December 2010, none of the Directors or chief executive of the Company or their respective associates had registered any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

For the year ended 31 December 2010, so far as is known to the Directors, the following persons, not being Directors or chief executive of the Company had, or were deemed to have, interests or short position 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 who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Interest in the Company

Name	Capital and nature of interest	Number of shares	Percentage of the Company's issued share capital
Magic Ahead Investments Limited *(Note 1)*	Beneficial owner	519,000,000 (L)	75%

Note:

1. *Magic Ahead Investments Limited, a company incorporated in British Virgin Islands on 15 October 2009 with limited liability and an investment holding company where the entire issued share capital of which is held by Mr. Ko Yuk Tong, Mr. Ko Chun Hay, Kelvin and Ms. Liu Lai Kuen in the proportion of 50.92%, 30.56% and 18.52% respectively as at the 31 December 2010.*

During the year ended 31 December 2010, there were no debt securities issued by the Group at any time.

Save as disclosed above, as at 31 December 2010, the Directors are not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interest or short position 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 who is directly or indirectly, to be interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group or options in respect of such share capital.

Share Option Scheme

The Company operates a share option scheme (the "Scheme") for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Since the Scheme has become effective on 3 November 2010, no share options were granted, exercised or cancelled by the Company under the Scheme during the period under review and there were no outstanding share options under the Scheme as at 31 December 2010.

Interests of the Compliance Advisers

As notified by Tanrich Capital Limited ("Tanrich Capital"), the Company's compliance adviser, neither Tanrich Capital nor its directors or employees or associates had any interests in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities) as at 31 December 2010.

Pursuant to the agreement dated 16 November 2010 entered into between Tanrich Capital and the Company, Tanrich Capital received and will receive fees for acting as the Company's compliance adviser.

Related Party Transaction

Details of the related party transactions of the Group and the Company are set out in note 33 to the financial statements.

Corporate Governance

Principal corporate governance practices as adopted by the Company are set out in the Corporate Governance Report section set out on pages 11 to 14.

Public Float

Based on the information that is publicly available to the Company and within the knowledge, as at the date of this 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 Company's articles of association 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

As at the end of the reporting period, the Group did not have any significant events after the reporting period.

Auditors

The financial statements have been audited by CCIF CPA Limited who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board
Brilliance Worldwide Holdings Limited

Ko Chun Hay, Kelvin
Chairman
Hong Kong, 25 March 2011

INDEPENDENT AUDITOR'S REPORT

CCIF
CCIF CPA LIMITED
34/F The Lee Gardens
33 Hysan Avenue
Causeway Bay Hong Kong

TO THE SHAREHOLDERS OF
BRILLIANCE WORLDWIDE HOLDINGS LIMITED
(Incorporated in the Cayman Islands with limited liability)

We have audited the consolidated financial statements of Brilliance Worldwide Holdings Limited ("the Company") and its subsidiaries (together "the Group") set out on pages 23 to 76, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the 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. This report is made solely to you, as a body, 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 judgement, 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 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.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

CCIF CPA Limited
Certified Public Accountants
Hong Kong, 25 March 2011

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
TURNOVER	*4*	**133,220**	128,948
Cost of sales		**(113,797)**	(107,877)
GROSS PROFIT		**19,423**	21,071
Other revenue and other net income	*5*	**1,609**	445
Selling and distribution expenses		**(5,253)**	(4,456)
Administrative expenses		**(6,853)**	(5,482)
PROFIT FROM OPERATIONS		**8,926**	11,578
Finance costs	*6(c)*	**(285)**	(584)
PROFIT BEFORE TAXATION	*6*	**8,641**	10,994
Taxation	*7*	**(531)**	(883)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	*10*	**8,110**	10,111
Earnings per share			
Basic and diluted (HK$)		**0.014**	0.018

The notes on pages 28 to 76 form part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	31/12/2010 HK$'000	31/12/2009 HK$'000 (restated)	1/1/2009 HK$'000 (restated)
Non-current assets				
Property, plant and equipment	14	9,482	12,686	13,758
Loans to a director — due after one year	21	—	2,484	2,788
		9,482	15,170	16,546
Current assets				
Inventories	17	16,749	5,213	4,094
Trade and other receivables	18	19,810	13,722	14,887
Amount due from the ultimate holding company	20	642	—	—
Loans to a director — due within one year	21	—	304	299
Amount due from a director	22	—	—	6,150
Cash and bank balances	23	21,503	3,436	5,916
		58,704	22,675	31,346
Current liabilities				
Trade and other payables	24	19,763	20,556	22,748
Derivative financial instruments		—	—	81
Secured bank loans and overdrafts	25	4,487	3,357	4,598
Tax payables	7	30	766	640
		24,280	24,679	28,067
Net current assets/(liabilities)		34,424	(2,004)	3,279
Total assets less current liabilities		43,906	13,166	19,825
Non-current liabilities				
Amount due to a director	26	—	972	—
Loans from directors	27	—	2,747	5,334
Deferred tax liabilities	28	331	716	871
		331	4,435	6,205
NET ASSETS		43,575	8,731	13,620
EQUITY				
Share capital	29	6,920	10	10
Reserves		36,655	8,721	13,610
Total equity attributable to owners of the Company		43,575	8,731	13,620

Approved and authorised for issue by the directors on 25 March 2011.

Ko Chun Hay, Kelvin
Chairman

Ko Yuk Tong
Chief Executive Officer

The notes on pages 28 to 76 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2010

	Note	2010 HK$'000
Non-current assets		
Investments in subsidiaries	*16*	**19,047**
Current assets		
Amount due from a subsidiary	*19*	**4,914**
Amount due from the ultimate holding company	*20*	**331**
Cash and bank balances	*23*	**18,192**
		23,437
Current liabilities		
Other payables and accruals	*24*	**717**
Net current assets		**22,720**
Total assets less current liabilities		**41,767**
NET ASSETS		**41,767**
EQUITY		
Share capital	*29*	**6,920**
Reserves	*30*	**34,847**
Total equity attributable to the owners of the Company		**41,767**

Approved and authorised for issue by the directors on 25 March 2011.

Ko Chun Hay, Kelvin
Chairman

Ko Yuk Tong
Chief Executive Officer

The notes on pages 28 to 76 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2010

	Attributable to owners of the Company				
	Share capital	**Share premium**	**Merger reserve**	**Retained earnings**	**Total**
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1 January 2009	10	—	—	13,610	13,620
Profit and total comprehensive income for the year	—	—	—	10,111	10,111
Interim dividend paid during the year *(note 11)*	—	—	—	(15,000)	(15,000)
At 31 December 2009 and 1 January 2010	10	—	—	8,721	8,731
Issue of ordinary shares of a subsidiary for loan capitalisation	1	3,718	—	—	3,719
Elimination of share capital pursuant to the Reorganisation	(11)	—	—	—	(11)
Shares credited as fully paid pursuant to the Reorganisation (note 29(b)(iii))	—	—	—	—	—
Issue of ordinary shares of the Company pursuant to the Reorganisation (note 29(b)(iii))	550	—	(383)	—	167
Issue of ordinary shares of the Company pursuant to the capitalisation (note 29(b)(iv))	5,185	(5,185)	—	—	—
Issue of ordinary shares of the Company upon placing (note 29(c))	1,185	26,070	—	—	27,255
Transaction costs directly attributable to the issuance of shares	—	(4,396)	—	—	(4,396)
Profit and total comprehensive income for the year	—	—	—	8,110	8,110
At 31 December 2010	**6,920**	**20,207**	**(383)**	**16,831**	**43,575**

The notes on pages 28 to 76 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2010

	Note	2010 HK$'000	2009 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		8,641	10,994
Finance costs	6(c)	285	584
Write-down of inventories	17(b)	—	1,137
Fair value gain on derivative financial instruments	5	—	(57)
Depreciation on property, plant and equipment	14	4,845	4,503
Interest income	5	(63)	(214)
Loss on disposal of property, plant and equipment	6(b)	44	164
Changes in working capital		13,752	17,111
Increase in inventories		(11,536)	(2,256)
(Increase)/decrease in trade and other receivables		(6,088)	1,165
Decrease/(increase) in amount due from a director		2,837	(12,172)
Increase in amount due from ultimate holding company	34(f)	(486)	—
Increase in amount due to a director		—	886
Decrease in trade and other payables		(793)	(2,192)
CASH (USED IN)/GENERATED FROM OPERATIONS		(2,314)	2,542
Hong Kong profits tax paid	7	(1,652)	(912)
NET CASH (USED IN)/GENERATED FROM OPERATING ACTIVITIES		(3,966)	1,630
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	14	(2,048)	(2,737)
Sales proceed on property, plant and equipment		363	142
Bank interest received		—	137
NET CASH USED IN INVESTING ACTIVITIES		(1,685)	(2,458)
FINANCING ACTIVITIES			
Proceed from secured bank loans		7,000	—
Repayment of secured bank loans		(6,993)	(299)
Interests paid		(271)	(411)
Proceeds from issuance of shares upon listing		27,255	—
Transaction costs directly attributable to the issuance of shares		(4,396)	—
NET CASH GENERATED FROM/(USED IN) FINANCING ACTIVITIES		22,595	(710)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		16,944	(1,538)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		2,867	4,405
CASH AND CASH EQUIVALENTS AT END OF YEAR	23	19,811	2,867

The notes on pages 28 to 76 form part of these financial statements.

1. Company Background and Basis of Presentation

(a) Corporate information

Brilliance Worldwide Holdings Limited (the "Company") was incorporated and domiciled in the Cayman Islands as an exempted company with limited liability on 24 February 2010. The Company has established a principal place of business in Hong Kong at Flat 16, 1st Floor, Wah Yiu Industrial Centre, 30–32 Au Pui Wan Street, Fotan, New Territories, Hong Kong and has been registered as a non-Hong Kong company under part XI of the Hong Kong Companies Ordinance on 27 October 2010. Its shares have been listed on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") since 25 November 2010.

The Company is an investment holding company. The Company and its subsidiaries (the "Group") now comprising the Group as set out below are principally engaged in garment manufacturing.

(b) Reorganisation

Pursuant to a reorganisation (the "Reorganisation") of the Company and its subsidiaries now comprising the Group completed on 3 November 2010 to rationalise the group structure for the public listing of the Company's shares on the Stock Exchange, the Company became the holding company of the Group.

Details of the Reorganisation are set out in the prospectus of the Company dated 18 November 2010 (the "Prospectus").

Since all entities which took part in the Reorganisation were under common control of Mr. Ko Yuk Tong, Mr. Ko Chun Hay, Kelvin and Ms. Liu Lai Kuen (the "Controlling Shareholders") before and immediately after the Reorganisation and, consequently, there was a continuation of the risks and benefits to the Controlling Shareholders and therefore this is considered as a business combination under common control and Accounting Guideline 5 "Merger Accounting for Common Control Combinations" has been applied. These consolidated financial statements have been prepared by using the merger basis of accounting as if the Group had been in existence throughout the years presented. The net assets of the combining companies are combined using the existing book values from the Controlling Shareholders' perspective.

Accordingly, the consolidated results of the Group for the years ended 31 December 2009 and 2010 include the results of operations of the companies now comprising the Group with effect from 1 January 2009 or where the companies now comprising the Group were established/incorporated at a date later than 1 January 2009, since their respective dates of incorporation, as if the current group structure had been in existence throughout the two years presented. The consolidated statements of financial position of the Group as at 31 December 2009 and 2010 have been prepared as if the current group structure had been in existence as at the respective dates.

All material intra-group transactions and balances have been eliminated on consolidation.

2. Significant Accounting Policies

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited ("GEM Listing Rules"). A summary of the significant accounting policies adopted by the Group is set out below.

The HKICPA has issued certain amendments and interpretations which are or have become effective. It has also issued certain new and revised HKFRSs which are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

2. Significant Accounting Policies *(continued)*

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2010 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). These financial statements are presented in Hong Kong dollars ("HK$"), rounded to the nearest thousand except for per share data. Hong Kong dollar is the Company's functional and presentation currency.

The measurement basis used in the preparation of the financial statements is the historical cost basis.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. 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.

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 38.

(c) Business combinations under common control

Business combinations under common control are accounted for in accordance with the merger accounting. Merger Accounting is applied in accordance with Accounting Guideline 5 Merger Accounting for Common Control Combinations. The merger method of accounting involves incorporating the financial statements items of the combining entities or business in which the common control combination occurs as if they had been consolidated from the date when the combining entities or business first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values prior to the common control combinations from the controlling party's perspective. No amount is recognised in respect of goodwill or the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the investment at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of comprehensive income include the results of each of the combining entities or business from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of common control combination.

The comparative amounts in the consolidated financial statements are presented as if the entities or business had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of an impairment of the asset transferred.

2. Significant Accounting Policies *(continued)*

(d) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Changes in the Group's ownership interests in existing subsidiaries
Changes in the Group's ownership interests in existing subsidiaries on or after 1 January 2010

Changes in the Group's interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions, whereby adjustments are made to the amounts of controlling and non-controlling interests within consolidated equity to reflect the change in relative interests, but no adjustments are made to goodwill and no gain or loss is recognised.

When the group loses control of a subsidiary, it is accounted for as a disposal of the entire interest in that subsidiary, with a resulting gain or loss being recognised in profit or loss. Any interest retained in that former subsidiary at the date when control is lost is recognised at fair value and this amount is regarded as the fair value on initial recognition of a financial asset or, when appropriate, the cost on initial recognition of an investment in an associate.

In the Company's statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(g)), unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).

(e) Property, plant and equipment

Property, plant and equipment are stated in the consolidated statements of financial position at cost less accumulated depreciation and accumulated impairment losses (see note 2(g)):

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.

To the extent the allocation of the lease payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "prepaid lease payments" in the consolidated statement of financial position and is amortised over the lease term on a straight-line basis.

2. Significant Accounting Policies *(continued)*

(e) Property, plant and equipment *(continued)*

Depreciation is calculated to write off the cost of items of property, plant and equipment, less their estimated residual value, if any, using the straight line method over their estimated useful lives as follows:

— leasehold land and building are depreciated on a straight-line basis over the shorter of the unexpired term of lease and their estimated useful lives, being no more than 50 years after the date of completion;

— other property, plant and equipment are depreciated on a straight-line method over their estimated useful lives as follows:

Plant and machinery	20% per annum
Furniture, fixtures and equipment	20% per annum
Motor vehicles	20% per annum

Where parts of an item of property, plant and equipment have different useful lives, the cost of the item is allocated on a reasonable basis between the parts and each part is depreciated separately. Both the useful life of an asset and its residual value, if any, are reviewed annually.

Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net proceeds on disposal and the carrying amount of the item and are recognised in the profit or loss on the date of retirement or disposal.

2. Significant Accounting Policies *(continued)*

(f) Leased assets

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if the Group determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

(i) Classification of assets leased to the Group

Assets held by the Group under leases which transfer to the Group substantially all the risks and rewards of ownership are classified as being held under finance leases. Leases which do not transfer substantially all the risks and rewards of ownership to the Group are classified as operating leases, with the following exceptions:

— land held for own use under an operating lease, the fair value of which cannot be measured separately from the fair value of a building situated thereon at the inception of the lease, is accounted for as being held under a finance lease, unless the building is also clearly held under an operating lease. For these purposes, the inception of the lease is the time that the lease was first entered into by the Group, or taken over from the previous lessee.

(ii) Operating lease charges

Where the Group has the use of assets under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are written off as an expense of the accounting period in which they are incurred.

The cost of acquiring land held under an operating lease is amortised on a straight-line basis over the period of the lease term except where the property is classified as an investment property.

2. Significant Accounting Policies *(continued)*

(g) Impairment of assets

(i) Impairment of receivables

Current and non-current receivables that are stated at cost or amortised cost are reviewed at the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For trade receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective Group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade receivables included within trade and other receivables, whose recovery is considered doubtful but not remote. In this case, the impairment losses for doubtful debts are recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2. Significant Accounting Policies *(continued)*

(g) Impairment of assets *(continued)*

(ii) Impairment of other assets

Internal and external sources of information are reviewed at the end of each reporting period to identify indications that the following assets may be impaired or an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment; and

— investment in subsidiaries.

If any such indication exists, the asset's recoverable amount is estimated.

— Calculation of recoverable amount

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in the profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the GEM Listing Rules, the company is required to prepare a quarterly financial report in compliance with HKAS 34, Interim financial reporting, in respect of each quarter of the financial year. At the end of the quarterly period, the company applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see note 2(g)(i) and (ii)).

2. Significant Accounting Policies *(continued)*

(h) Inventories

Inventories are carried at the lower of cost and net realisable value.

Cost is calculated using the first-in, first-out method and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realizable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

(i) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts, except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts (see note 2(g)).

(j) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(k) Trade and other payables

Trade and other payables are initially recognised at fair value and thereafter stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(m) Employee benefits

(i) Short term employee benefits and contributions to defined contribution plans

Salaries, annual bonuses, paid annual leave, contributions to defined contribution retirement plans and the cost to the Group of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these amounts are stated at their present values.

2. Significant Accounting Policies *(continued)*

(m) Employee benefits *(continued)*

(ii) Share-based payments

The fair value of share options granted to employees is recognised as an employee cost with a corresponding increase in capital reserve within equity. The fair value is measured at grant date using the binomial lattice model, taking into account the terms and conditions upon which the options were granted. Where the employees have to meet vesting conditions before becoming unconditionally entitled to the options, the total estimated fair value of the options is spread over the vesting period, taking into account the probability that the options will vest.

During the vesting period, the number of share options that is expected to vest is reviewed. Any adjustment to the cumulative fair value recognised in prior years is charged/credited to the profit or loss for the year of the review, unless the original employee expenses qualify for recognition as an asset, with a corresponding adjustment to the capital reserve. On vesting date, the amount recognised as an expense is adjusted to reflect the actual number of share options that vest (with a corresponding adjustment to the capital reserve) except where forfeiture is only due to not achieving vesting conditions that relate to the market price of the Company's shares. The equity amount is recognised in the capital reserve until either the option is exercised (when it is transferred to the share premium account) or the option expires (when it is released directly to retained profits).

(iii) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(n) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided that those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2. Significant Accounting Policies *(continued)*

(n) Income tax *(continued)*

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(o) Provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(p) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) *Sale of goods*

Revenue is recognised when goods are delivered at the customers' premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(ii) *Interest income*

Interest income is recognised as it accrues using the effective interest method.

2. Significant Accounting Policies *(continued)*

(q) Translation of foreign currencies

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

(r) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(s) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

2. Significant Accounting Policies *(continued)*

(t) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

(u) Derivative financial instruments and hedging activities

Derivative instruments which do not qualify for hedge accounting are accounted for a fair value through profit or loss. Changes in the fair value of these derivative instruments that do not qualify for hedge accounting are recognised immediately in the profit or loss within other income/expense.

(v) Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the consolidated statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs")

The Group had adopted the following new and revised Standards, Amendments and Interpretations ("new and revised HKFRSs") that are first effective for the current accounting period.

HKFRS 2 (Amendments)	Group Cash-settled Share-based Payment Transactions
HKFRS 3 (Revised 2008)	Business Combinations
HKAS 27 (Revised 2008)	Consolidated and Separate Financial Statements
HKAS 39 (Amendments)	Financial Instruments: Recognition and Measurement — Eligible Hedged Items
HK(IFRIC) Int 17	Distributions of Non-cash Assets to Owners
HK (Int) 5	Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause
HKFRSs (Amendments)	Improvements to HKFRSs issued in 2009
HKFRSs (Amendments)	Amendments to HKFRS 5 as part of Improvements to HKFRSs issued in 2008

Except as described below, the adoption of the new and revised HKFRSs has had no material effect on the consolidated financial statements of the Group for the current or prior accounting periods.

Amendments to HKAS 17 Leases, as part of Improvements to HKFRSs issued in 2009

HKAS 17 Leases has been amended in relation to the classification of leasehold land. Before the amendments to HKAS 17, the Group was required to classify leasehold land as operating leases and to present leasehold land as prepaid lease payments in the consolidated statement of financial position. The amendments to HKAS 17 have removed such a requirement. The amendments require that the classification of leasehold land should be based on the general principles set out in HKAS 17, that is, whether or not substantially all the risks and rewards incidental to ownership of a leased asset have been transferred to the lessee.

In accordance with the transitional provisions set out in the amendments to HKAS 17, the Group reassessed the classification or unexpired leasehold land as at 1 January 2010 based on information that existed at the inception of the leases. Leasehold land that qualifies for finance lease classification has been reclassified from prepaid lease payment to property, plant, and equipment retrospectively.

The effect of the adoption of amendments to HKAS 17 is as follows:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Decrease in prepaid lease payments	**(530)**	(541)	—
Increase in property, plant and equipment	**530**	541	—

The application of the amendments to HKAS 17 has had no impact on the reported profit or loss and earnings per share for the current and prior years.

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Hong Kong Interpretation 5, Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

Hong Kong Interpretation 5 Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ("HK (Int) 5") clarifies that term loans that include a clause that gives the lender the unconditional right to call the loans at any time ("repayment on demand clause") should be classified by the borrower as current liabilities. The Group has applied HK (Int) 5 for the first time in the current year. Hong Kong Interpretation 5 requires retrospective application.

In order to comply with the requirements set out in HK (Int) 5, the Group has changed its accounting policy on classification of term loans with a repayment on demand clause. In the past, the classification of such term loans were determined based on the agreed scheduled repayment dates set out in the loan agreements. Under HK (Int) 5, term loans with a repayment on demand clause are classified as current liabilities.

As a result, loans that contain a repayment on demand clause with the aggregate carrying amounts of HK$2,484,000 and HK$2,788,000 have been reclassified from non-current liabilities to current liabilities as at 31 December 2009 and 1 January 2009 respectively. The application of HK (Int) 5 has had no impact on the reported profit or loss and earnings per share for the current and prior years.

The effect of adoption of Hong Kong Interpretation 5 is as follows:

	31 December 2010 HK$'000	31 December 2009 HK$'000	1 January 2009 HK$'000
Current liabilities			
Increase in secured bank loans	—	2,484	2,788
Non-current liabilities			
Decrease in secured bank loans	—	(2,484)	(2,788)

Such term loans have been presented in the earliest time band in the maturity analysis for financial liabilities. (See note 37 for details.)

3. Application of New and Revised Hong Kong Financial Reporting Standards ("HKFRSs") *(continued)*

Summary of the effects of the above changes in accounting policies on the financial position

The effects of the above changes in accounting policies on the financial positions of the Group as at 1 January 2009 and 31 December 2009 are as follows:

	As at 1/1/2009 (originally stated)	Adjustments	As at 1/1/2009 (restated)	As at 31/12/2009 (originally stated)	Adjustments	As at 31/12/2009 (restated)
	HK$'000	HK$' 000	HK$'000	HK$'000	HK$'000	HK$'000
Property, plant and equipment	13,758	—	13,758	12,145	541	12,686
Prepaid lease payment	—	—	—	541	(541)	—
Secured bank loans — current	299	2,788	3,087	304	2,484	2,788
Secured bank loans — non-current	2,788	(2,788)	—	2,484	(2,484)	—
Total effects on net assets	16,845	—	16,845	15,474	—	15,474

4. Turnover

The principal activity of the Group is garment manufacturing. Turnover represents sales value of goods supplied to customers.

An analysis of turnover is as follows:

	2010	2009
	HK$'000	HK$'000
Sales of garments	**133,220**	128,948

5. Other Revenue and Other Net Income

	2010 **HK$'000**	2009 HK$'000
Other revenue		
Bank interests income	**—**	137
Interest income from loans to a director	**63**	77
Total interest income on financial assets not at fair value through profit or loss	**63**	214
Other net income		
Net foreign exchange gain	**236**	—
Fair value gain on derivative financial instruments	**—**	57
Compensation from supplier on defective goods	**1,130**	—
Others	**180**	174
	1,546	231
	1,609	445

6. Profit Before Taxation

Profit before taxation is stated after charging the following:

(a) Staff costs

	2010 **HK$'000**	2009 HK$'000
Salaries, allowances and other benefit (including directors' remuneration *(Note 8)*)	**30,392**	26,789
Mandatory provident fund contributions	**49**	29
	30,441	26,818

(b) Other items

	2010 **HK$'000**	2009 HK$'000
Auditors' remuneration	**468**	300
Cost of inventories	**113,797**	107,877
Processing fees	**32,365**	28,271
Depreciation	**4,845**	4,503
Listing expenses *(note (d))*	**40**	—
Operating lease charges	**724**	756
Loss on disposal of property, plant and equipment	**44**	164
Exchange loss, net	**—**	142

6. Profit Before Taxation *(continued)*

(c) Finance costs

	2010 **HK$'000**	2009 HK$'000
Interest on bank advances wholly repayable within five years	**208**	334
Interest on other bank advances	**63**	77
Interest on loans from directors	**14**	173
Total interest expense on financial liabilities not at fair value through profit or loss	**285**	584

The analysis shows the finance costs of bank borrowings, including term loans which contain a repayment on demand clause, in accordance with the agreed scheduled repayments dates set out in the loan agreements. For the years ended 31 December 2010 and 2009, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$63,000 and HK$77,000 respectively.

(d) Listing expenses

The amount represented professional fees and other expenses related to the listing of Company's shares on the Stock Exchange being recognized for the year ended 31 December 2010. Pursuant to HKAS 32 Financial Instruments: Presentation, the transaction costs of an equity transaction are accounted for as a deduction from equity (net of any related income tax benefit) to the extent they are directly attributable to the equity transaction that otherwise would have been avoided. The costs of an equity transaction that is abandoned are recognised as an expense when incurred.

Notes:

(i) Cost of inventories includes HK$32,773,000 (2009: HK$28,558,000) relating to staff cost, depreciation and operating lease charges, which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses.

(ii) The processing fees include the following items which amount is also included in the respective total amounts disclosed separately above for each of these types of expenses:

	2010 **HK$'000**	2009 HK$'000
Staff cost		
— Salaries, allowances and other benefits	**3,163**	3,040
Cost of inventories		
— Direct labour	**27,229**	23,311
— Utilities	**1,249**	1,162
— Rental	**724**	758

7. Taxation

(a) Income tax in the consolidated statement of comprehensive income represents:

	2010 HK$'000	2009 HK$'000
Current tax — Hong Kong profits tax		
Provision for the year	**923**	1,038
Over provision in respect of prior years	**(7)**	—
	916	1,038
Deferred taxation *(Note 28)*	**(385)**	(155)
	531	883

The provision for Hong Kong Profits Tax for 2010 is calculated at 16.5% (2009: 16.5%) of estimated assessable profits for the year.

No provision for profits tax in the Cayman Islands and British Virgin Islands ("BVI") has been made as the Group has no income assessable for tax for the year in these jurisdictions (2009: Nil).

Reconciliation between tax expenses and accounting profit at the applicable tax rates:

	2010 HK$'000	2009 HK$'000
Profit before taxation	**8,641**	10,994
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**1,448**	1,814
Tax effect of non-taxable net income relating to offshore operation	**(923)**	(1,038)
Overprovision in prior year	**7**	—
Tax effect of unrecognised temporary difference	**(3)**	101
Tax effect of non-taxable income	**—**	(23)
Tax effect of non-deductible expenses	**2**	29
Actual tax expense	**531**	883

7. Taxation *(continued)*

(b) Taxation in the consolidated statement of financial position represents:

	2010 HK$'000	2009 HK$'000
At 1 January	766	640
Provision for the year	923	1,038
Over provision in prior year	(7)	—
Tax paid	(1,652)	(912)
At 31 December	30	766

8. Directors' Remuneration

Directors' remuneration disclosed pursuant to section 161 of the Hong Kong Companies Ordinance is as follows:

	Year ended 31 December 2010			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Ko Yuk Tong *(Note ii)*	38	—	—	38
Ko Chun Hay, Kelvin *(Note i)*	19	—	—	19
Liu Lai Kuen *(Note ii)*	19	—	—	19
Ko Kam Lun *(Note ii)*	19	19	2	40
Independent non-executive directors				
Li Xiao Dong *(Note iii)*	4	—	—	4
Zhang Qing *(Note iii)*	3	—	—	3
Li Kar Fai, Peter *(Note iii)*	3	—	—	3
	105	19	2	126

8. Directors' Remuneration *(continued)*

	Year ended 31 December 2009			
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Executive directors				
Ko Yuk Tong *(Note ii)*	—	—	—	—
Ko Chun Hay, Kelvin *(Note i)*	—	—	—	—
Liu Lai Kuen *(Note ii)*	—	—	—	—
Ko Kam Lun *(Note ii)*	—	—	—	—
Independent non-executive directors				
Li Xiao Dong *(Note iii)*	—	—	—	—
Zhang Qing *(Note iii)*	—	—	—	—
Li Kar Fai, Peter *(Note iii)*	—	—	—	—
	—	—	—	—

Note:

(i) Mr. Ko Chun Hay, Kelvin was appointed as chairman and non-executive director of the Company on 3 November 2010. He was re-designated as an executive director of the Company with effect from 25 March 2011.

(ii) Mr. Ko Yuk Tong, Ms. Liu Lai Kuen and Mr. Ko Kam Lun were appointed as executive directors of the Company on 3 November 2010.

(iii) Mr. Li Xiao Dong, Mr. Zhang Qing and Mr. Li Kar Fai, Peter were appointed as independent non-executive directors of the Company on 3 November 2010.

During the years ended 31 December 2009 and 2010, no director of the Company waived any emoluments and no emoluments were paid or payable by the Group to any of the directors as an inducement to join or upon joining the Group, or as compensation for loss of office.

9. Individuals With Highest Emoluments

Of the five individuals with the highest emoluments in the Group, three (2009: two) were directors of the Company whose emoluments are included in the disclosures in note 8 above. The emoluments of the remaining two (2009: three) individuals were as follows:

	2010	2009
	HK$'000	HK$'000
Salaries and other benefits	**695**	1,325
Contributions to retirement benefits schemes	**47**	27
	742	1,352

During the years ended 31 December 2009 and 2010, no emolument was paid by the Group to the five highest paid individuals (including directors and other employees) as inducement to join or upon joining the Group or as compensation for loss of office and no bonus was paid or payable by the Group to the five highest paid individuals based on the performance of the Group.

The emoluments of individuals other than the directors with the highest emoluments are whose emoluments fall within the following band were as follows:

	2010	2009
	HK$'000	HK$'000
Nil to HK$1,000,000	**2**	3

10. Profit Attributable to Owners of the Company

The consolidated profit attributable to owners of the Company includes a loss of HK$139,000 which has been dealt with in the financial statements of the Company.

11. Dividend

	2010	2009
	HK$'000	HK$'000
Interim dividends	**—**	15,000

Interim dividends for the year ended 31 December 2009 were declared by the Company's subsidiary, namely Yoko Garment Limited, to its then shareholders prior to the Reorganisation. The rates of dividend and the number of shares ranking for dividends are not presented as such information is not meaningful.

The board of directors did not recommend any payment of dividend for the year ended 31 December 2010.

12. Earnings Per Share

Earnings

	2010 HK$'000	2009 HK$'000
Profit for the year attributable to owners of the Company	8,110	10,111

Number of shares

	2010 No. of shares	2009 No. of shares
Weighted average number of ordinary shares	585,512,000	573,500,000

The weighted average number of shares for the purpose of calculating basic earnings per share for each of the two years ended 31 December 2010 and 2009 is based on the assumption that the 573,500,000 shares issued and outstanding upon the Reorganisation had been in issue as at beginning of the respective years. The weighted average number of shares for 2010 has also been adjusted to reflect the 118,500,000 new shares issued for the placing of the Company's shares.

No diluted earnings per share has been presented for both years as the Company has no potential dilutive ordinary shares outstanding during both years.

13. Employee Retirement Benefits

Defined contribution retirement plan

The group operates a Mandatory Provident Fund Scheme ("the 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$1,000. Contributions to the plan vest immediately.

14. Property, Plant and Equipment

The Group

	Leasehold land and building held for own use carried at cost HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost					
At 1 January 2009	—	10,377	9,293	1,190	20,860
Additions	459	1,305	732	700	3,196
Disposal	—	(592)	—	—	(592)
Effect of adoption of HKAS 17 (Amendments)	541	—	—	—	541
At 31 December 2009 and 1 January 2010, as restated	1,000	11,090	10,025	1,890	24,005
Additions	—	1,945	103	—	2,048
Disposal	—	(1,358)	—	—	(1,358)
At 31 December 2010	1,000	11,677	10,128	1,890	24,695
Accumulated Depreciation					
At 1 January 2009	—	3,499	3,278	325	7,102
Charge for the year	—	2,210	2,028	265	4,503
Written back on disposal	—	(286)	—	—	(286)
At 31 December 2009 and 1 January 2010	—	5,423	5,306	590	11,319
Charge for the year	20	2,398	2,088	339	4,845
Written back on disposal	—	(951)	—	—	(951)
At 31 December 2010	20	6,870	7,394	929	15,213
Carrying amount					
At 31 December 2010	**980**	**4,807**	**2,734**	**961**	**9,482**
At 31 December 2009 (Restated)	1,000	5,667	4,719	1,300	12,686

14. Property, Plant and Equipment *(continued)*

The leasehold land and building held for own use are located in Hong Kong under medium term lease and are pledged to a bank to secure banking facilities granted to the Group (note 25).

15. Lease Premium for Land

The Group's interests in lease premium for land represent prepaid operating lease payments and their carrying amount are analysed as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount at 1 January	**541**	—
Addition	**—**	541
Effect of adoption of HKAS 17 (Amendment)	**(541)**	(541)
Carrying amount at 31 December, as restated	**—**	—

16. Investments in Subsidiaries

	The Company
	2010
	HK$'000
Unlisted shares, at cost	**19,047**

The following list contains only the particular of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated:

		Proportion of ownership interest				
Name of subsidiary	**Place of incorporation/ operation**	**Group's effective interest**	**Held by the Company**	**Held by a subsidiary**	**Particulars of issued and paid up capital**	**Principal activities**
Prosperity Global Investments Limited ("Prosperity Global")	British Virgin Islands/ Hong Kong	100%	100%	—	US$20,000	Investment holding
Yoko Garment Limited ("Yoko Garment")	Hong Kong	100%	—	100%	HK$10,800	Garment manufacturing

17. Inventories

(a) Inventories in the consolidated statement of financial position comprise:

	The Group	
	2010	2009
	HK$'000	HK$'000
Raw materials	**10,031**	2,206
Work-in-progress	**3,789**	1,707
Finished goods	**2,929**	1,300
	16,749	5,213

(b) The analysis of the amount of inventories recognised as an expense is as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Carrying amount of inventories sold	**113,797**	106,740
Write down of inventories	**—**	1,137
	113,797	107,877

18. Trade and Other Receivables

	The Group	
	2010	2009
	HK$'000	HK$'000
Trade receivables	**19,560**	12,928
Less: allowance for doubtful debts	**—**	—
Loans and receivables	**19,560**	12,928
Deposits and prepayments	**250**	794
	19,810	13,722

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

18. Trade and Other Receivables *(continued)*

(a) Ageing analysis

Trade receivables are net of allowance for doubtful debts of 2010: Nil (2009: HK$310) with the following ageing analysis presented based on invoice date as of the end of the reporting period:

	The Group	
	2010	2009
	HK$'000	HK$'000
0–90 days	**19,537**	12,837
91–180 days	**—**	31
181–365 days	**23**	60
	19,560	12,928

Trade receivables are normally due within 15 to 60 days from the date of billing. Further details on the Group's credit policy are set out in note 37(a)(i).

(b) Impairment of trade receivables

Impairment losses in respect of trade receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(g)).

Movements in the allowance for doubtful debts

	The Group	
	2010	2009
	HK$'000	HK'000
At 1 January	**—**	193
Receivables written off during the year as uncollectible	**—**	(193)
Impairment loss recognised *(note i)*	**—**	—
At 31 December	**—**	—

Note (i): *As at 31 December 2010, trade receivables of the Group amounting to Nil (2009: HK$310) were individually determined to be impaired and full provision had been made. These individually impaired receivables were outstanding for over 365 days as at the end of the reporting period or were due from companies with financial difficulties. Accordingly, specific allowances for doubtful debts of approximately Nil (2009: HK$310) were recognised. The Group does not hold any collateral over these balances.*

18. Trade and Other Receivables *(continued)*

(c) Trade receivables that are not impaired

The ageing analysis of trade receivables that are neither individually nor collectively considered to be impaired are as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Neither past due nor impaired	**19,178**	12,819
Past due but not impaired		
Less than 3 month past due	**359**	18
3 to 12 months past due	**23**	91
	382	109
	19,560	12,928

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

19. Amount due from a Subsidiary

The amount was unsecured, interest-free and had no fixed terms of repayment.

20. Amount due from the Ultimate Holding Company

The amount was unsecured, interest-free and had no fixed terms of repayment.

21. Loans to a Director

	The Group	
	31 December 2010 HK$'000	31 December 2009 HK$'000
Loan to Mr. Ko Yuk Tong		
Within 1 year	—	304
After 1 year but within 5 years	—	1,213
After 5 years	—	1,271
	—	2,788

The amounts were unsecured, bearing interest at 2.5% per annum below prime rate. The loans had been settled when the secured bank loans as disclosed in note 25 were settled before listing of the shares of the Company on the Stock Exchange.

22. Amount due from a Director

Particulars of the amount due from a director disclosed pursuant to section 161B of the Companies Ordinance are as follows:

			Maximum amount outstanding	
	2010 HK'000	2009 HK'000	**2010 HK'000**	2009 HK'000
Ko Yuk Tong	—	—	**143**	6,150

The amount was unsecured, interest-free and repayable on demand.

23. Cash and Cash Equivalents

	The Group 2010 HK$'000	2009 HK$'000	The Company 2010 HK$'000
Cash at bank and on hand	4,503	3,436	1,192
Bank deposit	17,000	—	17,000
Cash and bank balances	21,503	3,436	18,192
Bank overdrafts, secured *(note 25)*	(1,692)	(569)	—
Cash and cash equivalents in the statement of financial position and statement of cash flows	19,811	2,867	18,192

The interest rates on the cash at bank and deposits with banks ranged from 0% to 0.475% per annum.

The bank overdrafts, bore interests at 2.5% per annum over Hong Kong prime rate, was secured by the Group's leasehold land and building held for own use (note 14).

24. Trade and Other Payables

	The Group 2010 HK$'000	2009 HK$'000	The Company 2010 HK$'000
Trade payables	15,553	17,742	—
Other payables and accruals	4,210	2,814	717
Financial liabilities measured at amortised cost	19,763	20,556	717

24. Trade and Other Payables *(continued)*

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

	The Group	
	2010	2009
	HK$'000	HK$'000
0–90 days	**14,258**	14,200
91–180 days	**1,295**	3,498
181–365 days	**—**	—
Over 365 days	**—**	44
	15,553	17,742

25. Secured Bank Loans and Overdrafts

	The Group		
	31 December	31 December	1 January
	2010	2009	2009
	HK$'000	HK$'000	HK$'000
		(restated)	(restated)
Current liabilities			
Secured bank overdrafts	**1,692**	569	1,511
Secured bank loans			
Portion of term loans from banks due for repayment within one year	**2,795**	304	299
Portion of term loans from banks due for repayment after one year which contain a repayment on demand clause	**—**	2,484	2,788
	4,487	3,357	4,598

25. Secured Bank Loans and Overdrafts *(continued)*

At 31 December 2010, total Interest-bearing bank loans of approximately HK$2,795,000 were due for repayment as follows:

	The Group	
	2010	2009
	HK$'000	HK$'000
Portion of term loans due for repayment within one year	**2,795**	304
Term loans due for repayment after one year *(Note)*:		
After 1 year but within 2 years	—	1,213
After 2 years but within 5 years	—	1,271
	—	2,484
	2,795	2,788

Note:

The amounts due are based on schedule repayment dates as stipulated in the respective loan agreements.

All of the banking facilities are subject to the fulfilment of covenants. If the Group were in breach of the covenants, the drawn down facilities would become repayable on demand. In addition, certain of the Group's bank loan agreements contain clauses which give the lender the right at its sole discretion to demand immediate repayment at any time irrespective of whether the Group has complied with the covenants and met the scheduled repayment obligations.

The Group regularly monitors its compliance with these covenants, is up to date with the scheduled repayments of the term loans and does not consider it probable that the bank will exercise its discretion to demand repayment so long as the Group continues to meet these requirements. Further details of the Group's management of liquidity risk are set out in note 37(a)(ii). As at 31 December 2010, none of the covenants relating to drawn down facilities had been breached (2009: nil).

All of the secured bank loans, including amounts repayable on demand, are carried at amortised cost.

The range of effective interest rates (which are also equal to contracted interest rates) on the Group's variable-rate borrowings is the Standard Bills Rate quoted by the Bank to 2.5% per annum below Hong Kong Prime rate for the years ended 31 December 2009 and 2010.

At 31 December 2010, the banking facilities of the Group are secured by the leasehold land and building of the Company. At 31 December 2009, the banking facilities of the Group were secured by the leasehold land and building of the Company and two properties of the directors, Mr. Ko Yuk Tong and Ms. Liu Lai Kuen. Such banking facilities amounting to HK$5,000,000 (2009: HK$10,936,743) were utilised to the extent of HK$4,487,000 at 31 December 2010 (2009: HK$3,357,000). The pledged assets will be released upon the settlement of the relevant bank borrowings.

The analysis of the carrying amount of the secured bank loans are as follows:

	2010	*2009*
	HK$'000	*HK$'000*
Secured bank loans	—	*2,788*
Packing loan, secured	***2,795***	—
	2,795	*2,788*

26. Amount due to a Director

	The Group	
	2010	2009
	HK$'000	HK$'000
Ko Chun Hay, Kelvin	**—**	972

The amount is unsecured and interest free. The amount due to Mr. Ko Chun Hay, Kelvin is capitalised on 18 March 2010 as detailed in (note 30(b)(i)).

27. Loans from Directors

	The Group	
	31 December	31 December
	2010	2009
	HK$'000	HK$'000
Ko Chun Hay, Kelvin	**—**	2,747

The loan is unsecured, bearing interest at 3% per annum. The amount is capitalised on 18 March 2010 as detailed in (note 30(b)(i)).

28. Deferred Tax Liabilities

The deferred tax liabilities arising from the difference between the depreciation allowances and the related depreciation recognised in the consolidated statement of financial position and the movements during the year are as follows:

	2010	2009
	HK$'000	HK$'000
At 1 January	**716**	871
Credited to profit or loss	**(385)**	(155)
At 31 December	**331**	716

29. Share Capital

	Note	Number of ordinary shares of HK$0.1 per share	Number of ordinary shares of HK$0.01 per share	Nominal value ordinary shares HK$
Authorised:				
Ordinary shares upon incorporation on 24 February 2010	*note(a)*	1,000,000	—	100,000
Share subdivision	*note(b)(i)*	(1,000,000)	10,000,000	—
Increased in authorised share capital	*note(b)(ii)*	—	9,990,000,000	99,900,000
At 31 December 2010		**—**	**10,000,000,000**	**100,000,000**
Issued and fully paid:				
Issue of 1,000 ordinary share	*note(a)*	1,000	—	—
Share subdivision	*note(b)(i)*	(1,000)	10,000	—
Credit the 10,000 shares in issue as fully paid pursuant to the Reorganisation	*note(b)(iii)*	—	—	100
Issue of ordinary shares pursuant to the Reorganisation	*note(b)(iii)*	—	54,990,000	549,900
Issue of ordinary shares pursuant to the capitalisation issue	*note(b)(iv)*	—	518,500,000	5,185,000
Issue of ordinary shares upon placing	*note(c)*	—	118,500,000	1,185,000
At 31 December 2010		**—**	**692,000,000**	**6,920,000**

The Company was incorporated on 24 February 2010. Share capital in the consolidated statement of financial position as at 31 December 2009 represented the share capital of Yoko Garment, which was the company comprising the Group as at 31 December 2009.

The owners of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

No share options were granted for the year ended 31 December 2010.

29. Share Capital *(continued)*

Notes:

(a) The authorised share capital of the Company as at the date of its incorporation was HK$100,000 dividend into 1,000,000 shares of HK$0.1 each. 1,000 ordinary shares were allotted and issued as nil paid to the sole shareholder, Magic Ahead Investments Limited ("Magic Ahead"), on the same date.

(b) Pursuant to the written resolution of sole shareholder of the Company passed on 3 November 2010, the following were approved:

(i) each issued and unissued share of HK$0.1 in the capital of the Company was subdivided into 10 shares of HK$0.01 each. Accordingly, the authorised share capital of the Company was changed from 1,000,000 shares of HK$0.1 each to 10,000,000 shares of HK$0.01 each and the issued and fully paid share capital of the Company was changed from 10,000 shares of HK$0.1 each to 100,000 shares of HK$0.01 each.

(ii) the authorised share capital of the Company was increased from HK$100,000 divided into 10,000,000 shares to HK$100,000,000 divided into 10,000,000,000 shares by the creation of an additional 9,990,000,000 shares of HK$0.01 each which rank pari passu with the existing shares in all respects.

(iii) on 3 November 2010, pursuant to a sale and purchase agreement, Magic Ahead transferred 20,000 shares in Prosperity Global to the Company and in consideration of and in exchange for which, the Company allotted and issued 54,990,000 Shares, credited as fully paid to Magic Ahead and the Company credited as fully paid at par the existing 10,000 nil-paid Shares. A sum equal to the excess in value determined for the shares in Prosperity Global over the aggregate par value of the shares issued and credited as fully paid by the Company in exchange therefor is credited to the contributed surplus account of the Company.

(iv) conditional on the share premium account of the Company being credited as a result of the initial listing of the shares of the Company on the Stock Exchange, directors of the Company were authorised to captialise an amount of HK$5,185,000 from such account and applying such sum in paying up in full as par a total of 518,500,000 shares of allotment and issued to the shareholders of the Company whose names appeared on the register of members of the Company at the close of business on 12 November 2010. The Company was listed on the Stock Exchange on 25 November 2010 and the aforesaid allotment was completed.

(c) On 25 November 2010, 118,500,000 new shares with par value of HK$0.01 each were issued for subscription and purchase by selected institutional, professional and other investors at the placing price of HK$0.23 per share.

30. Reserves

(a) The movements in components of equity

The reconciliation between the opening and closing balances of each component of the Group's consolidated equity is set out in the consolidated statement of changes in equity. Details of the changes in the Company's individual components of equity between the beginning and the end of the year are set out below:

	Share premium *(note (b)(i))* HK$'000	Contributed surplus *(note (b)(iii))* HK$'000	Accumulated losses HK$'000	Total HK$'000
Issue of 54,990,000 ordinary shares of the Company pursuant to the Reorganisation	—	18,497	—	18,497
Issue of 518,500,000 ordinary shares of the Company pursuant to the Capitalisation issue *(note 29(b)(iv))*	(5,185)	—	—	(5,185)
Issue of 118,500,000 ordinary shares of the Company upon placing	26,070	—	—	26,070
Transaction costs directly attributable to the issue of new shares	(4,396)	—	—	(4,396)
Loss and total comprehensive loss for the year	—	—	(139)	(139)
At 31 December 2010	16,489	18,497	(139)	34,847

(b) Nature and purpose of reserves

(i) Share premium

— The Group

The application of the share premium account of the Group is governed by the Companies Law of the Cayman Islands and Section 48B of the Hong Kong Companies Ordinance.

Out of the total consolidated share premium account of HK$20,207,000, HK$3,718,000 is governed by Section 48B of the Hong Kong Companies Ordinance and it is not distributable to the owners of the Company.

On 18 March 2010, Yoko Garment capitalised the indebtedness of approximately HK$3,719,000 including the loan from a director and amount due to a directors of approximately HK$2,747,000 (note 27) and HK$972,000 (note 26) respectively, owed by Yoko Garment to Mr. Ko Chun Hay, Kelvin in consideration of the allotment and issue of a total 800 ordinary shares of HK$1.00 each in the share capital of Yoko Garment, all credited as fully paid, to Mr. Ko Chun Hay, Kelvin.

— The Company

The application of the share premium account of the Company is governed by the Companies Law of the Cayman Islands. Under the Companies Law of the Cayman Islands, the funds in the share premium account are distributable to shareholders of the Company provided that immediately following the date on which the dividend is proposed to be distributed, the Company will be in a position to pay off its debts as they fall due in the ordinary course of business.

30. Reserves *(continued)*

(b) Nature and purpose of reserves *(continued)*

(ii) Merger reserve

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.

(iii) Contributed surplus

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 the Reorganisation.

(c) The Company's reserves as at 31 December 2010 available for distribution to owners of the Company as calculated under the provision of the Companies Law of the Cayman Islands as set out in note 30(b)(i) are approximately HK$34,847,000.

31. Contingent Liabilities

At the end of the reporting period, the Group had the following contingent liabilities:

	2010 **HK$'000**	2009 HK$'000
Discounted bills, with recourse	**706**	3,404

32. Segment Reporting

Segment revenue, results, assets and liabilities

The Group is principally engaged in garment manufacturing. Although the garments are sold to domestic and overseas customers, the Group's Board of Directors, being the chief operating decision-maker ("CODM"), regularly reviews their combined financial information to assess the performance and makes resource allocation decisions. Accordingly, no segmental revenue, results, assets and liabilities are presented. The CODM consider the business from both geographic and product perspective.

Geographical information

In presenting information on the basis of geographical, segments revenue is based on the geographical location of customers. Segment assets and capital expenditure are based on the geographical location of the assets.

32. Segment Reporting *(continued)*

Geographical information *(continued)*

The Group comprises the following main geographical segments:

	Year ended 31 December			
	2010		2009	
	Revenue HK$'000	**Non-current assets* HK$'000**	Revenue HK$'000	Non-current assets* HK$'000
Sweden	**62,910**	**—**	62,745	—
U.K.	**26,075**	**—**	25,193	—
Spain	**9,249**	**—**	8,847	—
Germany	**13,154**	**—**	5,508	—
Hong Kong	**20,864**	**9,482**	26,016	12,686
Japan	**944**	**—**	—	—
Others	**24**	**—**	639	—
Total turnover	**133,220**	**9,482**	128,948	12,686

* *Non-current assets exclude loans to a director.*

Information about products

	2010 HK$'000	2009 HK$'000
Innerwear	**65,655**	69,497
Casual wear	**57,588**	41,789
Baby and children wear	**9,977**	17,662
Total turnover	**133,220**	128,948

Information about major customers

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

	2010 HK$'000	2009 HK$'000
Customer A	**49,180**	53,631
Customer B	**24,406**	23,634
Customer C	**13,730**	16,925
	87,316	94,190

33. Related Party Transactions

During the year, the Group had the following significant transactions with related parties:

(a) Financing arrangement

			Related interest (income)/expenses	
	2010	2009	**2010**	2009
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans to a director, Ko Yuk Tong				
Repaid from	**(2,788)**	(299)		
Outstanding balance *(note 21)*	**—**	2,788	**63**	77
Loans from a director, Ko Yuk Tong				
Repaid to	**—**	2,667		
Outstanding balance	**—**	—	**—**	(86)
Loans from a director, Ko Chun Hay, Kelvin				
Advanced from	**—**	(80)		
Repaid to	**2,747**	—		
Outstanding balance *(note 27)*	**—**	(2,747)	**(14)**	(86)
Amount due from a director, Ko Yuk Tong				
Advanced to	**143**	37,198		
Repaid from	**(143)**	(43,348)		
Outstanding balance *(note 22)*	**—**	—	**N/A**	N/A
Amount due to a director, Ko Chun Hay, Kelvin				
Advanced from	**—**	(972)		
Repaid to	**972**	—		
Outstanding balance *(note 26)*	**—**	(972)	**N/A**	N/A
Amount due from the ultimate holding company, Magic Ahead				
Advanced to	**642**	—		
Outstanding balance *(note 20)*	**642**	—	**N/A**	N/A

33. Related Party Transactions *(continued)*

(b) Remuneration for related parties

	2010 **HK$'000**	2009 HK$'000
Ko Yuk Tong *(Note i)*	**200**	600
Liu Lai Kuen *(Note i)*	**100**	360
Ko Kam Lun *(Note ii)*	**100**	111
Ko Kam Lung *(Note ii)*	**66**	98

Notes:

(i) The remuneration was paid to Mr. Ko Yuk Tong and Ms. Liu Lai Kuen in their capacity as the directors of Yoko Garment before the incorporation of the Company.

(ii) Both Mr. Ko Kam Lun and Mr. Ko Kam Lung are sons of the directors, Mr. Ko Yuk Tong and Ms. Liu Lai Kuen.

(c) Purchase of leasehold land and building from a director, Ko Yuk Tong

	31 December 2010 HK$'000	31 December 2009 HK$'000 (restated)	1 January 2009 HK$'000 (restated)
Leasehold land and building held for own use	**—**	1,000	—

(d) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 8 and certain of the highest paid employees as disclosed in note 9 and note 33(b), is as follows:

	2010 **HK$'000**	2009 HK$'000
Salaries, allowances and other benefits	**524**	1,071
Contributions to retirement scheme	**26**	—
	550	1,071

(e) Guarantees from directors

During 2009 and 2010, certain banking facilities of the Group were secured by the unlimited guarantee provided by a director and his own properties. The guarantees provided by the directors had been released on 3 November 2010 before the listing of the Company's shares on the Stock Exchange.

34. Non-Cash Transactions

(a) During the year, the interest income on loans to a director, Mr. Ko Yuk Tong, of approximately HK$63,000 (2009: HK$77,000) was effected through the current account with the director.

(b) During the year ended 31 December 2009 and 2010, the secured bank loans of approximately HK$Nil (2009: HK$2,788,000 and loans to a director in the same amounts were settled through the director's current account and are non-cash transactions.

(c) On 18 March 2010, Yoko Garment issued 800 additional ordinary shares with par value of HK$1 at a consideration of HK$4.649 per share for a total of HK$3,719,000 to Mr. Ko Chun Hay, Kelvin for capitalisation of loan from him and amount due to him of approximately HK$2,747,000 (note 27) and HK$972,000 (note 26) respectively.

(d) During the year ended 31 December 2009, the Group purchased land and buildings from a director, Mr. Ko Yuk Tong in the amounts of HK$1,000,000. Such transaction was effected through the current account with him and is a non-cash transaction.

(e) In respect of the year ended 31 December 2009, the interim dividend declared by the Company of HK$15,000,000 was settled by crediting the current accounts of the directors and are non-cash transactions.

(f) The amount due from the ultimate holding company, Magic Ahead, includes an amount of HK$156,000 arising from the exchange of the shares of the Company and the shares of a subsidiary company, Prosperity Global, with Magic Ahead, which is a non-cash transaction.

35. Ultimate Holding Company and Controlling Party

After the completion of the Reorganisation, the ultimate holding company of the companies comprising the Group is Magic Ahead Investments Limited, a company incorporated in British Virgin Islands. The controlling party of the Group is Mr. Ko Yuk Tong, Mr. Ko Chun Hay, Kelvin and Ms. Liu Lai Kuen.

36. Comparative Figures

As a result of the amendments of HKAS 17, Leases, and the application of HK (Int) 5, Presentation of Financial Statements — Classification by the Borrower of a Term Loan that contains a Repayment on Demand Clause, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2010. Further details of these developments are disclosed in note 3.

37. Financial Risk Management and Fair Values

(a) Financial risk managements and policies

The Group is exposed to credit risk, liquidity risk, interest rate risk and currency risk which arise in the normal course of the Group's business as set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner and these risks are limited by the financial policies and practices undertaken by the Group.

(i) Credit risk

As at 31 December 2010, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statements of financial position after deducting any impairment allowance.

In respect of trade and other receivables in order to minimise risk, the management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis. Credit evaluations of the financial position and condition of the customers and debtors of the Group are performed on all customers and debtors requiring credit over a certain amount. Debtors with overdue balances, which will be reviewed on a case-by-case basis, are requested to settle all outstanding balances before any further credit is granted. Normally, the Group does not obtain collateral from customers.

37. Financial Risk Management and Fair Values *(continued)*

(a) Financial risk managements and policies *(continued)*

(i) Credit risk (continued)

In respect of trade and other receivables, the Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The default risk of the industry and country in which customers operate also has an influence on credit risk. At the end of the reporting period, the Group has a certain concentration of credit risk as 23% (2009: 11%) and 83% (2009: 82%) of the total trade and other receivables was due from the Company's largest customer and the five largest customers respectively.

The credit risk on balances of cash and cash equivalents is low as these balances are placed with reputable financial institutions.

Further quantitative disclosures in respect of the Group's exposure of credit risk arising from trade and other receivables are set out in note 18.

(ii) Liquidity risk

The Group are responsible for their own cash management, including the raising of loans to cover expected cash demands, subject to approval by the directors. The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient reserves of cash.

The following table detail the Group's remaining contractual maturity for its non-derivative financial liabilities as at 31 December 2010. The tables have 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. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liability on the consolidated statements of financial position.

Specifically, for bank loans which contain a repayment on demand clause which can be exercised at the bank's sole discretion, the analysis shows the cash outflow based on the earliest period in which the entity can be required to pay, i.e. if the lenders were to invoke their unconditional rights to call the loans with immediate effect. The maturity analysis for other bank borrowings is prepared based on the scheduled repayment dates.

The table that follows summarises the maturity analysis of bank loans with a repayment on demand clause based on agreed scheduled repayments set out in the loan agreements. The amounts include interest payments computed using contractual rates. As a result, these amounts are greater than the amounts disclosed in the "on demand" time band in the above maturity analysis. Taking into account of the Group's financial position, the directors of the Company do not consider it probable that the bank will exercise its discretion to demand immediate repayment. The directors of the Company believe that such bank loans will be repaid in accordance with the scheduled repayment dates set out in the loan agreements.

Maturity Analysis — Term Loans subject to a repayment on demand clause based on scheduled repayments

	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More 5 years HK$'000	Total undiscounted cash outflows HK$'000
31 December 2010	**2,795**	**—**	**—**	**—**	**2,795**
31 December 2009	303	303	910	1,271	2,787

37. Financial Risk Management and Fair Values *(continued)*

(a) Financial risk managements and policies *(continued)*

(ii) Liquidity risk (continued)

The Group

At 31 December 2010	Within 1 year or on demand HK$'000	More than 1 year but less than 5 year HK$'000	After 5 years HK$'000	Total contractual undiscounted HK$'000	Carrying amount HK$'000
Bank overdrafts	1,692	—	—	1,692	1,692
Trade and other payables	19,763	—	—	19,763	19,763
Secured bank loans subject to a repayable on demand clause	2,795	—	—	2,795	2,795
	24,250	—	—	24,250	24,250
At 31 December 2009 (restated)					
Bank overdrafts	569	—	—	569	569
Trade and other payables	20,556	—	—	20,556	20,556
Amount due to a director	972	—	—	972	972
Loans from directors	2,747	—	—	2,747	2,747
Secured bank loans subject to a repayable on demand clause	3,080	—	—	3,080	2,788
	27,924	—	—	27,924	27,632

The Company

At 31 December 2010	Within 1 year or on demand HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
Other payables and accruals	717	—	—	717	717

37. Financial Risk Management and Fair Values *(continued)*

(a) Financial risk managements and policies *(continued)*

(iii) Interest rate risk

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 25 for details of these borrowings).

(i) Interest rate profile

The following table details the interest rate profile of the Group's borrowings at the end of the reporting period:

	2010 Effective interest rate %	**2010** HK$'000	2009 Effective interest rate %	2009 HK$'000
Fixed rate borrowings:				
Loan from directors	**3%**	**—**	3%	2,747
Variable rate borrowings:				
Bank overdraft	**7.5%**	**1,692**	7.5%	569
Bank loans	**2.5%**	**2,795**	2.5%	2,788
		4,487		3,357
Total borrowings		**4,487**		6,104
Net fixed rate borrowings as a percentage of total net borrowings		**—**		45%

(ii) Sensitivity analysis

All of the bank loans of the Group which are fixed rate instruments are insensitive to any change in interest rates. A change in interest rate at the end of the reporting period would not affect profit or loss.

At 31 December 2010, it is estimated that a general increase/decrease of 100 basis points in interest rates for variable rate bank borrowings, with all other variables held constant, would decrease/increase the Group's profit after tax and retained profits by HK$45,000 (2009: HK$34,000). Other components of equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analysis above has been determined assuming that the change in interest rates had occurred at the end of the reporting period and had been applied to the exposure to interest rate risk for variable rate interest bearing financial instruments in existence at that date. The 100 basis points increase or decrease represents management's assessment of a reasonably possible change in interest rates over the period until the next end of the reporting period. The analysis is performed on the same basis for 2009.

37. Financial Risk Management and Fair Values *(continued)*

(a) Financial risk managements and policies *(continued)*

(iv) Currency risk

(i) Exposure to currency risk

The following table details the Group's exposure at the end of the reporting period to currency risk primarily through sales and purchases which give rise to recognised assets or liabilities that are denominated in a currency other than the functional currency of the entity to which they relate. For presentation purposes, the amounts of the exposure are shown in Hong Kong dollars, translated using the spot rate at the year end date. The currency giving rise to this risk is primarily Renminbi.

	Exposure to foreign currencies (expressed in Hong Kong dollars)	
	2010	2009
	RMB'000	RMB'000
Cash and cash equivalents	**2,344**	36
Trade and other payables	**14,009**	11,049
Trade and other receivables	**3,137**	1,581
Overall exposure arising from recognised assets and liabilities	**19,490**	12,666

(ii) Sensitivity analysis

The following table indicates the approximate change in the Group's profit after tax (and retained profits) in response to reasonably possible changes in the foreign exchange rates to which the Group has significant exposure at the end of the reporting period.

The Group

	2010		2009	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits
	HK$'000	**HK$'000**		
Reminbi	**5%**	**814**	5%	529
	(5%)	**(814)**	(5%)	(529)

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had occurred at the end of the reporting period and had been applied to each of the Group entities' exposure to currency risk for financial instruments in existence at that date, and that all other variables, in particular interest rates, remain constant.

The stated changes represent management's assessment of reasonably possible changes in foreign exchange rates over the period until the next annual end of the reporting period. In this respect, it is assumed that the pegged rate between the Hong Kong dollar and the United States dollar would be materially unaffected by any changes in movement in value of the United States dollar against other currencies. The analysis is performed on the same basis for 2009.

37. Financial Risk Management and Fair Values *(continued)*

(b) 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 owners through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The debt to equity ratio of the Company as at 31 December 2009 and 2010 are as follows:

	2010	2009
	HK$'000	HK$'000
Total borrowings	**4,487**	6,104
Less: cash and bank balances	**(21,503)**	(3,436)
(Cash)/net debt	**(17,016)**	2,668
Total equity	**43,575**	8,731
Net debt to equity	**N/A**	30.6%

Neither the Company nor any its subsidiaries are subject to externally imported capital requirements.

(c) Fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2010.

(d) Estimation of fair values

The major method and assumption applied in determining the fair values of the following financial instruments.

Interest-bearing loans and borrowings

The fair value is estimated as the present value of future cash flows, discounted at current market interest rates for similar financial instruments.

38. Critical Accounting Estimates

Key sources of estimation uncertainty

In the process of applying the Group's accounting policies which are described in note 2, management has made certain key assumptions concerning the future, and other key sources of estimated uncertainty at the end of the reporting period, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, as discussed below.

(i) *Useful lives of property, plant and equipment*

The Group's management determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations and competitor actions in response to severe industry cycles. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold.

The carrying amount of property, plant and equipment as at 31 December 2010 were HK$9,482,000 (2009: HK$12,686,000).

(ii) *Impairment of property, plant and equipment*

The recoverable amount of an asset is the higher of its fair value less costs to sell and value in use. In assessing its value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset, which requires significant judgement relating to level of revenue and amount of operating costs. The Group uses all readily available information in determining an amount that is a reasonable approximation of the recoverable amount, including estimates based on reasonable and supportable assumptions and projections of revenue and operating costs. Changes in these estimates could have a significant impact on the carrying value of the assets and could result in additional impairment charge or reversal of impairment in future periods.

The carrying amount of property, plant and equipment as at 31 December 2010 were HK$9,482,000 (2009: HK$12,686,000).

(iii) *Impairment of receivables*

The Group maintains impairment allowance for doubtful accounts based upon evaluation of the recoverability of the trade and other receivables, where applicable, at the end of the reporting period. The estimates are based on the ageing of the trade and other receivables balances and the historical write-off experience, net of recoveries. If the financial condition of the debtors were to deteriorate, additional impairment allowance may be required.

The carrying amount of trade and other receivables as at 31 December 2010 were HK$19,810,000 (2009: HK$13,722,000).

(iv) *Write down of inventories*

The management of the Group reviews its inventories at the end of each reporting period and write-down inventories to net realisable value. Management estimates the net realisable value for such items based primarily on the latest invoice prices and current market conditions. The Group carries out an inventory review on a product-by-product basis at the end of the reporting period and make allowance for obsolete items.

The carrying amount of inventories as at 31 December 2010 were HK$16,749,000 (2009: HK$5,213,000).

38. Critical Accounting Estimates *(continued)*

Key sources of estimation uncertainty *(continued)*

(v) *Current taxation and deferred taxation*

Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxation. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred taxation relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can utilitsed. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred taxation in the periods in which such estimate is changed.

The current taxation for the year ended 2010 was HK$531,000 (2009: HK$883,000) and the carrying amount of deferred tax liabilities as at 31 December 2010 were HK$331,000 (2009: HK$716,000).

39. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2010

Up to the date of issue of these financial statements, the HKICPA has issued the following amendments, new standards and Interpretations which are not yet effective for the year ended 31 December 2010.

The Group has not early applied any of the following new and revised Standards, Amendments or Interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs 2010 except for the amendments to HKFRS 3 (revised in 2008), HKFRS 7, HKAS 1 and HKAS 28[1]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters[3]
HKFRS 1 (Amendment)	Severe Hyperinflation and removal of Fixed Dates for First time Adopters[5]
HKFRS 7 (Amendments)	Disclosures — Transfer of Financial Assets[5]
HKFRS 9	Financial instruments[7]
HKFRS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets[6]
HKFRS 24 (Revised)	Related Party Disclosures[4]
HKFRS 32 (Amendments)	Classification of Rights Issues[2]
HK (IFRIC)- Int 14 (Amendment)	Prepayments of a Minimum Funding Requirement[4]
HK (IFRIC)- Int 19	Extinguishing Financial Liabilities with Equity Instruments[3]

1 Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.
2 Effective for annual periods beginning on or after 1 February 2010.
3 Effective for annual periods beginning on or after 1 July 2010.
4 Effective for annual periods beginning on or after 1 January 2011.
5 Effective for annual periods beginning on or after 1 July 2011.
6 Effective for annual periods beginning on or after 1 January 2012.
7 Effective for annual periods beginning on or after 1 January 2013.

39. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2010 *(continued)*

HKFRS 9 Financial Instruments issued in November 2009 and amended in October 2010 introduces new requirements for the classification and measurement of financial assets and financial liabilities and derecognition.

— HKFRS 9 requires all recognised financial assets that are within the scope of HKAS 39 Financial Instruments: Recognition and Measurement to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair values at the end of subsequent accounting periods.

— The most significant effect of HKFRS 9 regarding the classification and measurement of financial liabilities relates to the accounting for changes in fair value of a financial liability (designated as at fair value through profit or loss) attributable to changes in the credit risk of that liability. Specifically, under HKFRS 9, for financial liabilities that are designated as at fair value through profit or loss, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the ability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Previously, under HKAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss was recognised in profit or loss.

HKFRS 9 is effective for annual periods beginning on or after 1 January 2013, with either application permitted.

The directors anticipate that HKFRS 9 that will be adopted in the Group's consolidated financial statements for the annual period beginning 1 January 2013 and that the application of the new Standard may have certain impact on amounts reported in respect of the Group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of that effect until a detailed review has been completed.

The amendments to HKFRS 7 increase the disclosure requirements for transactions involving transfers of financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period.

The directors do not anticipate that these amendments to HKFRS 7 will have a significant effect on the Group's disclosures regarding transfers of trade receivables previously effected. However, if the Group enters into other types of transfers of financial assets in the future, disclosures regarding those transfers may be affected.

The amendments to HKAS 12 titled Deferred Tax: Recovery of Underlying Assets mainly deal with the measurement of deferred tax for investment properties that are measured using the fair value model in accordance with HKAS 40 Investment Property. Based on the amendments, for the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties measured using the fair value model, the carrying amounts of the investment properties are presumed to be recovered through sale, unless the presumption is rebutted in certain circumstances. The directors anticipate that the application of the amendments to HKAS 12 may have a significant impact on deferred tax recognised for investment properties, if any, that are measured using the fair value model.

39. Possible Impact of Amendments, New Standards and Interpretations Issued but not yet Effective for the year ended 31 December 2010 *(continued)*

HKAS 24 Related Party Disclosures (as revised in 2009) modifies the definition of a related party and simplifies disclosures for government-related entities.

The disclosure exemptions introduces in HKAS 24 (as revised in 2009) do not affect the Group because the Group is not a government-related entity. However, disclosures regarding related party transactions and balances in these consolidated financial statements may be affected when the revised version of the Standard is applied in future accounting periods because some counterparties that did not previously meet the definition of a related party may come within the scope of the Standard.

The amendments to HKAS 32 titled Classification of Rights Issues address the classification of certain rights issues denominated in a foreign currency as either an equity instrument or as a financial liability. To date, the Group has not entered into any arrangements that would fall within the scope of the amendments. However, if the Group does enter into any rights issues within the scope of the amendments in future accounting periods, the amendments to HKAS 32 will have an impact on the classification of those rights issues.

HK(IFRIC)-Int 19 provides guidance regarding the accounting for the extinguishment of a financial liability by the issue of equity instruments. To date, the Group has not entered into transactions of this nature. However, if the Group does enter into any such transactions in the future, HKFRIC 19 will affect the required accounting. In particular, under HKFRIC 19 equity instruments issued under such arrangements will be measured at their fair value, and any difference between the carrying amount of the financial liability extinguished and the fair value of equity instruments issued will be recognised in profit or loss.

FINANCIAL SUMMARY

For the year ended 31 December 2010

The financial results of the Group for the financial years 2008 to 2010 and the assets and liabilities of the Group as at 31 December 2008, 2009 and 2010 are as follows:

	Year ended 31 December		
	2008	2009	**2010**
	HK$'000	HK$'000	**HK$'000**
Results			
Turnover	129,245	128,948	**133,220**
Profit before taxation	7,464	10,994	**8,641**
Taxation	(1,551)	(883)	**(531)**
Profit attributable to owners of the Company	5,913	10,111	**8,110**

	As at 31 December		
	2008	2009	**2010**
	HK$'000	HK$'000	**HK$'000**
Assets and liabilities			
Total assets	47,892	37,845	**68,186**
Total liabilities	(34,272)	(29,114)	**(24,611)**
Total equity	13,620	8,731	**43,575**

Note: The financial results of the Group for the year ended 31 December 2008 and 2009 and the assets and liabilities of the Group as at 31 December 2008 and 2009 have been prepared on combined basis and are extracted from the Prospectus.

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%