

First Quarterly Report 2011



BRILLIANCE WORLDWIDE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8312

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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: i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; ii) there are no other matters the omission of which would make any statement herein or this report misleading; and iii) all opinions expressed in this report have been arrived at after due and careful consideration and are founded on bases and assumptions that are fair and reasonable.

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

First Quarterly Results (Unaudited)

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Company and its subsidiaries (collectively as the “Group”) for the three months ended 31 March 2011, together with the comparative unaudited figures for the corresponding period in 2010, as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2011

	Note	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
TURNOVER	3	34,261	24,735
Cost of sales		(30,025)	(20,732)
GROSS PROFIT		4,236	4,003
Other revenue and other income		70	42
Selling and distribution expenses		(1,651)	(1,092)
Administrative and other operating expenses		(1,449)	(818)
PROFIT FROM OPERATIONS		1,206	2,135
Finance costs		(61)	(19)
PROFIT BEFORE TAXATION		1,145	2,116
Income tax	4	(95)	(180)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		1,050	1,936
Earnings per share			
Basic and diluted (HK\$)	6	0.002	0.003

Notes to the Condensed Consolidated Statement of Comprehensive Income

For the three months ended 31 March 2011

1. Corporate information

Brilliance Worldwide Holdings Limited (the “Company”) is 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, Shatin, 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 issued shares have been listed on the Growth Enterprise Market of the Stock Exchange of Hong Kong Limited (the “Stock Exchange”) since 25 November 2010.

2. Basis of Preparation

The Group’s unaudited condensed consolidated first quarterly financial statements have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards (“HKFRS”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

The HKICPA has issued a number of new and revised HKFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the company. There have been no significant changes to the accounting policies applied in these financial statements for the years presented as a result of these developments.

The unaudited condensed consolidated first quarterly financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with the HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise their judgements in the process of applying the Group’s accounting policies.

The accounting policies adopted in preparing the unaudited condensed consolidated first quarterly financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2010.

These unaudited condensed consolidated first quarterly financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK\$’000), unless otherwise stated.

The condensed consolidated accounts have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

3. Turnover and Segment Information

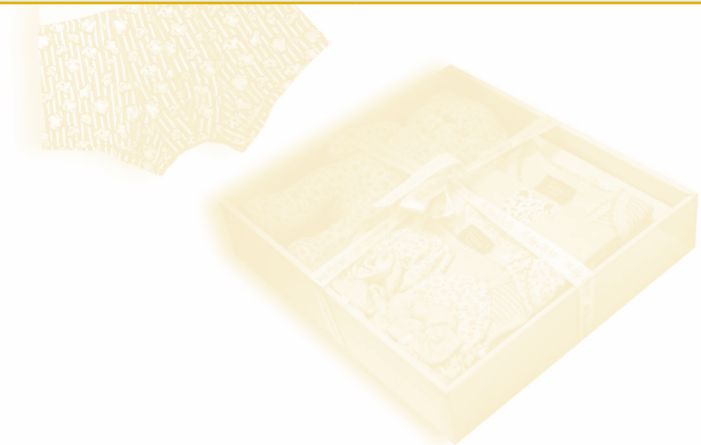
The principal activity of the Group is garment manufacturing. Turnover represents sales of goods. The amount of each significant category of revenue recognised in turnover for the three months ended 31 March 2010 and 2011 is as follows:

Geographical information

In presenting information on the basis of geographical, segments revenue is based on the geographical location of customers.

The Group comprises the following main geographical segments:

	For the three months ended 31 March	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sweden	21,759	13,675
U.K.	3,577	4,209
Spain	1,512	4
Germany	3,446	3,597
Hong Kong	3,967	3,226
Others	—	24
Total turnover	34,261	24,735



Information about products

	For the three months ended 31 March	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Innerwear	13,159	12,181
Casual wear	19,061	11,693
Baby and children wear	2,041	861
Total turnover	34,261	24,735

4. Income Tax

The provision for Hong Kong Profits Tax of 2011 is calculated at 16.5% (2010: 16.5%) of the estimated assessable profits for the period.

No provision for profits tax in the Cayman Islands and British Virgin Islands has been made as the Group has no assessable profits for the period in these jurisdictions (2010: Nil).

5. Dividend

The Directors do not recommend payment of any dividend for the three months ended 31 March 2011 (three months ended 31 March 2010: Nil).

6. Earnings Per Share

(a) *Basic earnings per share*

The calculation of basic earnings per share is based on the profit for the period attributable to owners of the Company of approximately HK\$1,050,000 (three months ended 31 March 2010: HK\$1,936,000) and the weighted average of 614,732,000 shares (three months ended 31 March 2010: 573,500,000 shares after adjusting for the capitalization issue in 2010) in issue during the three months period.

(b) *Diluted earnings per share*

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential ordinary shares outstanding for the three months period ended 31 March 2011 and 2010.

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 three months ended 31 March 2011 are HK\$13.1 million, HK\$19.1 million and HK\$2.0 million (2010: HK\$12.2 million, HK\$11.7 million and HK\$0.8 million) respectively.

During the period, there are bulk orders of casual wear received contributing to the significant increase in turnover in this category and as well as contributing to the increase in total sales. The portion of sales of casual wear to the total sales has grown from 47.3% to 55.6% while the portion of sales of innerwear has reduced from 49.2% to 38.4%. The sales of baby and children wear remains maintaining a relatively insignificant portion of about 6% of the total sales. The innerwear and casual wear products of the Group will remain the main products of the Group.

Financial Review

The turnover of the Group for the three months ended 31 March 2011 was approximately HK\$34.3 million, representing a 38.5% increase from the same period last year. Cost of sales of the Group increased by approximately 44.8% from approximately HK\$20.7 million for the three months ended 31 March 2010 to approximately HK\$30.0 million for the three months ended 31 March 2011.

Despite there is a significant increase in turnover during the period, the Group's gross profit margin has decreased from 16.2% to 12.4%, owing to the increase in cost of sale, of which the increase in labor costs and raw materials costs are most obvious. In addition to the fall of gross profit margin, most of the operating costs reflected an increasing trend, the net margin during the period has shown a decline from 7.8% to 3.1%. Profit attributable to owners of the Company was dropped to approximately HK\$1.1 million representing a decrease of approximately 45.8% as compared with approximately HK\$1.9 million for the corresponding period in 2010.

Outlook

With its well-established relationship with its strong European customer base, the Group has obtained great support from its customers, being reflected from the increase in turnover during the period. Although there are a lot of business opportunities, the Directors are cautiously carried 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.

The Group's objective is to leverage on its prolonged manufacturing and selling experience to the European market and expands its business in the PRC market. The Group is in preparation for launching the Group's key products, men's innerwear in Guangdong Province. The Directors believe the importance of the brand awareness and a self-developed brand name is under registration. In addition, in order to avoid time and capital required for building up a brand from inception, the Directors will continue to seek suitable acquisition opportunities. The Directors are confident that the opportunity of selling products in the booming domestic market in the PRC may bring in stronger revenue flow and improving profitability of the Group in the coming future.

Contingent Liabilities

As at 31 March 2011, the Group did not have any significant contingent liabilities.

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 GEM Listing Rules during the three months ended 31 March 2011.

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

The Company has 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. Having made specific enquiries to all the Directors, each respective Director confirmed that during the three months ended 31 March 2011, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

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

At 31 March 2011, the interests and short positions of the Directors and chief executive of the Company in the ordinary shares (the "Shares"), underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, were as follows:

Long positions in the Shares

Name	Notes	Capacity	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 three months ended 31 March 2011, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 31 March 2011, none of the Directors or chief executive of the Company or their respective associates had registered any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

As at 31 March 2011, 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 positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or 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:

Long positions in the Shares

Name	Capacity	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 31 March 2011.*

Save as disclosed above, as at 31 March 2011, the Directors were not aware of any other person, other than the Directors and the chief executive of the Company who had, or was deemed to have, interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or 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.

Competing Interests

For the three months ended 31 March 2011, the Directors were not aware of any business or interest of the Directors or the controlling shareholder of the Company 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.

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 March 2011.

Interests of the Compliance Adviser

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 March 2011.

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.

Purchase, Sale or Redemption of Listed Securities

During the three months ended 31 March 2011, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Shares.

Audit Committee

The Company has established an audit committee with written terms of reference on in compliance with the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting process and internal control systems of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Li Kar Fai, Peter (chairman of the audit committee), Mr. Zhang Qing and Mr. Li Xiao Dong.

The audit committee has reviewed the financial statements of the Group for the three-month period ended 31 March 2011 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

By order of the Board
Brilliance Worldwide Holdings Limited
Ko Chun Hay, Kelvin
Chairman

Hong Kong, 13 May 2011

As at the date of this report, the executive Directors are Mr. Ko Yuk Tong, Mr. Ko Chun Hay Kelvin, Ms. Liu Lai Kuen and Mr. Ko Kam Lun and the independent non-executive Directors are Mr. Li Kar Fai Peter, Mr. Li Xiao Dong and Mr. Zhang Qing.