



BRILLIANCE WORLDWIDE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8312

2011
THIRD QUARTERLY REPORT

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.

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This report, for which 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 for the purpose of giving information with regard to the Company. The directors of the Company, 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.

The board of Directors (the “Board”) is pleased to present the unaudited consolidated results of the Group for the three months and nine months ended 30 September 2011 together with the unaudited comparative figures for the corresponding periods in 2010 as follows:

Condensed Consolidated Statement of Comprehensive Income

For the three months and nine months ended 30 September 2011

	Note	Three months ended 30 September		Nine months ended 30 September	
		2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
TURNOVER	3	31,380	38,814	105,262	92,413
Cost of sales		(27,525)	(33,040)	(91,846)	(77,853)
GROSS PROFIT		3,855	5,774	13,416	14,560
Other revenue and other net income	4	(27)	79	50	1,478
Selling and distribution expenses		(1,007)	(1,669)	(3,685)	(4,159)
Administrative and other operating expenses		(1,932)	(2,245)	(5,933)	(4,757)
PROFIT FROM OPERATIONS		889	1,939	3,848	7,122
Finance costs	5(c)	(62)	(28)	(185)	(175)
PROFIT BEFORE TAXATION	5	827	1,911	3,663	6,947
Income tax		(62)	(158)	(346)	(572)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		765	1,753	3,317	6,375
Earnings per share					
Basic and diluted (HK\$)	8	0.001	0.003	0.005	0.011

Notes to the Condensed Consolidated Statement of Comprehensive Income

For the nine months ended 30 September 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 consolidated 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 period presented as a result of these developments.

The unaudited condensed consolidated 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 consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2010.

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

2. Basis of Preparation *(continued)*

The 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 apparel manufacturing. Turnover represents sales of goods. The amount of each significant category of revenue recognised in turnover for the nine months ended 30 September 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. Segment assets and capital expenditure are based on the geographical location of the assets.

The Group comprises the following main geographical segments:

	Nine months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Sweden	60,133	45,725
U.K.	13,923	15,317
Spain	10,644	4,485
Germany	8,227	10,291
Hong Kong	10,407	15,895
Japan	358	676
Others	1,570	24
Total turnover	105,262	92,413

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3. Turnover and Segment Information *(continued)*

Information about products

	Nine months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Innerwear	43,512	44,636
Casual wear	46,934	42,360
Baby and children wear	14,816	5,417
Total turnover	105,262	92,413

4. Other Revenue and Other Net Income

	Nine months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Other revenue		
Interest income from loans to a director	–	30
Total interest income on financial assets not at fair value through profit or loss	–	30
Compensation from supplier on defective goods	–	1,130
	–	1,160
Other net income		
Net foreign exchange gain	–	198
Gain on disposal of property, plant and equipment	48	–
Others	2	120
	50	318
	50	1,478

5. Profit Before Taxation

Profit before taxation is stated after charging/(crediting) the following:

(a) Staff costs

	Nine months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Salaries, allowances and other benefit (including directors' remuneration)	1,210	2,424
Mandatory provident fund contributions	54	26
	1,264	2,450

(b) Other items

	Nine months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Auditor's remuneration	240	138
Cost of inventories	91,846	77,743
Processing fees	27,203	24,503
Depreciation	3,648	3,616
Operating lease charges	563	543
(Gain)/Loss on disposal of property, plant and equipment	(48)	7
Exchange difference, net	18	(198)

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5. Profit Before Taxation (continued)

(c) Finance costs

	Nine months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Interest on bank advances wholly repayable within five years	185	103
Bank loans interest	–	30
Interest on loans from directors	–	14
Total interest expense on financial liabilities not at fair value through profit or loss	185	147

Notes:

- (i) Cost of inventories includes HK\$26,408,000 (2010: HK\$23,559,000) 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:

	Nine months ended 30 September	
	2011 HK\$'000 (unaudited)	2010 HK\$'000 (unaudited)
Staff cost		
– Salaries, allowances and other benefits	1,210	2,424
Cost of inventories		
– Direct labour	22,204	19,410
– Utilities	788	934
– Rental	563	543

6. Taxation

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

	Nine months ended 30 September	
	2011	2010
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Current tax – Hong Kong profits tax		
Provision for the year	346	572
	346	572

The provision for Hong Kong profits tax for 2011 is calculated at 16.5% (2010: 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 period in these jurisdictions (2010: Nil).

7. Dividend

The Directors do not recommend payment of any dividend for the nine months ended 30 September 2011 (nine months ended 30 September 2010: Nil).

8. 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\$3,317,000 (nine months ended 30 September 2010: HK\$6,375,000) and the weighted average of 674,144,000 shares (nine months ended 30 September 2010: 573,500,000 shares after adjusting for the capitalization issue in 2010) in issue during the nine 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 nine months ended 30 September 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 the sales of innerwears, casual wears and baby and children wears for the nine months ended 30 September 2011 are HK\$43.5 million, HK\$46.9 million and HK\$14.8 million (2010: HK\$44.6 million, HK\$42.4 million and HK\$5.4 million) respectively.

During the period, the Group has a mild increase in sales turnover which are mainly contributed from the increase in sales of casual wear and baby and children wears. Casual wear and innerwears remain the key products of the Group representing 44.6% and 41.3% (2010: 45.8% and 48.3%) of the Group's turnover respectively.

Financial Review

The turnover of the Group for the nine months ended 30 September 2011 was approximately HK\$105.3 million, representing an increase of 13.9% from the same period last year. Cost of sales of the Group increased by approximately 17.8% from approximately HK\$77.9million for the nine months ended 30 September 2010 to approximately HK\$91.8 million for the nine months ended 30 September 2011.

Since the cost of sales has increased more than proportionately to the turnover, the gross profit margin has reflected a downward turn. The Group's gross profit margin has decreased from 15.8% to 12.7%. During the period, there is continuous increase in labor costs and raw materials costs and worse still; the appreciation of renminbi has also increased the burden to the cost of production. On the other hand, due to the worldwide unstable economic environment and the financial turmoil in Europe, our European customers, the main customers are reluctant to increase their purchases in China, both in terms of volume and price, while they are searching alternative suppliers from other areas of the South East Asia.

In addition to the fall of gross profit margin, there is an increase in administrative expenses after listing in the Stock Exchange. The net margin during the period has shown a decline from 6.9% to 3.2%. Profit attributable to owners of the Company was dropped to approximately HK\$3.3 million representing a decrease of approximately 48.0% as compared with approximately HK\$6.4 million for the corresponding period in 2010.

Outlook

In consideration to the continuous appreciation of renminbi, the relative price of products manufactured in China becomes more and more expensive than other areas in the South East Asia. During the period, due to the reduction of sales orders from overseas buyers and the harsh environment being faced by manufacturers, the closure of small apparel and apparel-related manufacturers are noted in Huizhou.

With its well-established relationship with our European customers, the Group has obtained great support from its customers, being reflected from the increase in turnover during the period. Although the Directors are cautiously carried on the business by adopting tight control over manufacturing costs, factory operation in the PRC becomes difficult together with the increasing operation costs and limitation of increasing selling price, and consequently, there is a downward trend in gross profit margin. In view of current manufacturing environment in Huizhou, the Directors cannot hold any optimistic view in the rest of the year.

On the other hand, the Directors are quite optimistic about the business in the consumer market in the PRC market. The Group is in preparation for launching the Group's key products, men's innerwear in Guangdong Province. Although the launching of products in supermarkets has come across a number of difficulties causing delay mainly due to the numerous charges negotiation with the supermarkets, the Group starts to discuss with department stores for establishing concessions. The Directors believe that the importance of the brand awareness and a self-developed brand name is under registration and a Hong Kong singer, Mr Rico Kwok, has signed with the Group as our product representative. In addition, in order to avoid time and capital required for building up a brand from inception, the Directors are in discussion with an established brand name in the PRC for acquisition opportunities. The progress of acquisition is encouraging and completion of acquisition is targeted to be within this year.

Contingent Liabilities

As at 30 September 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 nine months ended 30 September 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 nine months ended 30 September 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 30 September 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	<i>Notes</i>	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 nine months ended 30 September 2011, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 30 September 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 30 September 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 (<i>Note 1</i>)	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 30 September 2011. Mr. Ko Yuk Tong is the spouse of Ms. Liu Lai Kuen and the elder brother of Mr. Ko Chun Hay, Kelvin.

For the nine months ended 30 September 2011, there were no debt securities issued by the Group at any time.

Save as disclosed above, as at 30 September 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 Interest

For the nine months ended 30 September 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 30 September 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 30 September 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 nine months ended 30 September 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 nine months period ended 30 September 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, 11 November 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.