BRILLIANCE WORLDWIDE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8312

2011 ANNUAL 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.brilliancewww.com.

Content

BOARD OF DIRECTORS

Executive Directors

Mr. Ko Yuk Tong *(Chief Executive Officer)*
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

AUDITORS

CCIF CPA Limited
Certified Public Accountants

LEGAL ADVISER

Vincent T.K. Cheung, Yap & Co.

REGISTERED OFFICE

Clifton House
75 Fort Street
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KY1-1108
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Flat 16, 1st Floor
Wah Yiu Industrial Centre
30-32 Au Pui Wan Street
Fo Tan, 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.brilliancew w.com

STOCK CODE

8312

On behalf of the board (the "Board") of directors (the "Directors") of Brilliance Worldwide Holdings Limited (the "Company") and its subsidiaries (the "Group"), I am writing this statement here with great pleasure and humility when our Group has experienced its first year's listing in the GEM of Stock Exchange.

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 objective is to leverage on its experience on apparel manufacturing to develop its own brand name and expand its market exposure in the PRC market. In view of China's rapid growth of GDP and continuous improvement of living standards of Chinese, we are confident that the consumer market in PRC will continue booming in the coming years and will be one of the major focuses of the world's business development. A medium to high standard of innerwear and other apparel products of the Group are decided to capture for the demand of the market.

To cope with the expansion of market exposure in the PRC market, we have developed a small but strong marketing team to explore the market. The team includes four sales executives and coordinators leading by me and will have further expansion in line with the future sales growth. Having carried out a number of researches in the sales and consuming practices in PRC, we have set our first target of PRC sales in supermarkets in Guangdong Province of PRC. There are a number of huge local and international supermarket chain stores throughout PRC which represents a significant sales portion in PRC consumer market. The Group considers that it is one of the most effective ways to break into the PRC consumer market.

With the growth of living standards of consumers in PRC, the demand for quality and well-known brand products will be increased. Consistent with our Group's policy, we will produce high quality products for the consumers. Our management team care about the brand awareness and has registered a brand name in PRC for our quality products. On the other hand, we will continue to seek for suitable acquisition opportunities, such as acquiring well-established brand names, which can avoid time and capital investment for building up a brand from inception.

We have good preparation for the sales in PRC and are confident to have a handsome growth in sales from 2012, which will bring in additional profit to the Group.

I would like to thank all the Board, the management team and staff for their dedication and contribution to the Group's development, in particular to the contribution from our general manager, Mr. Leung Chi Kin who has resigned during the year. 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

30 March 2012

BUSINESS REVIEW

The Group is an apparel manufacturer and exporter manufacturing and distributing a wide range of apparel products. During the year, the Group's revenues contributed from innerwear, casual wear and baby and children wear for the year ended 31 December 2011 are HK$64.1 million, HK$58.1 million and HK$23.4 million (2010: HK$65.6 million, HK$57.6 million and HK$10.0 million) respectively.

During the year, the Group has 9.3% increase in sales turnover which are mainly contributed from the sales of casual wear and baby and children wear. Casual wear and innerwear remain the key products of the Group occupying 39.9% and 44.0% totalling 83.9% of the Group's turnover respectively.

FINANCIAL REVIEW

The turnover of the Group for the year ended 31 December 2011 was approximately HK$145.6 million, representing an increase of 9.3 % from the same period last year. Cost of sales of the Group increased by approximately 10.5 % from approximately HK$113.8 million for the year ended 31 December 2010 to approximately HK$125.8 million for the year ended 31 December 2011. The increase in cost of sales was mainly due to the increase in sales order during the year. The cost of raw materials and labor cost have increased by 15.2% and 10.9% respectively as compared with the corresponding period in year 2010. The gross profit has slightly increased by HK$0.4 million, representing an increase of 2.0% from the same period last year.

The financial turmoil in Europe and the unstable worldwide economic environment have unavoidably affecting the Group. The poor economic environment in Europe has pushed the European importers, our main customers, to purchase at relatively cheaper products. In addition to the selling price pressure, the Group is also suffering from the effect of increase in labor costs, raw material costs and the appreciation of Renminbi. As a result, the gross margin of the Group has dropped from 14.6% to 13.6%. The Group has made tremendous effort in selecting and accepting reasonable price orders and thus maintaining an increase in sales.

The net margin has been dropped from 6.1% to 2.2% mainly contributed from the fall in gross margin, other revenue and other net income and increase in administrative expenses. Of which, the increase in administrative expenses are mainly caused by the additional staff costs and professional fee after listing together with the exchange loss. As noted in above, the appreciation of Renminbi has also increased the operation costs together with the drop in gross profit margin contributing to the fall in net margin. Profit attributable to owners of the Company was dropped to approximately HK$3.3 million representing a decrease of approximately 59.7% as compared with approximately HK$8.1 million for the corresponding period in 2010.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2011, the Group had total assets of approximately HK$69.5 million, which were financed by current liabilities of approximately HK$22.2 million, long-term liabilities of approximately HK$0.4 million, and shareholders' equity of approximately HK$46.8 million. The Group generally services its debts primarily through cash generated from its operations.

As at 31 December, 2011, the Group had cash and bank balances and pledged bank deposits of approximately HK$19.5 million and HK$8.0 million respectively and bank borrowings of approximately HK$5.7 million. Taking into consideration of the Group's current financial resources, the Directors believe that the Group have adequate fund for its continual operation and development. As at 31 December, 2011, the liquidity ratio, represented by a ratio between current assets over current liabilities, was 2.9 and the gearing ratio, represented by a ratio between total debt over total assets, was 32.6%. As such, the Director believed that the Group does not have liquidity problem.

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.

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 2011.

MATERIAL ACQUISITIONS OR DISPOSALS

During the years ended 31 December 2011, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

CHARGES ON ASSETS

At 31 December 2010 and 2011, the banking facilities of the Group are secured by the leasehold land and building of the Company.

EXPOSURE TO FLUCTUATION IN EXCHANGE RATES

Details of exposure to fluctuation in exchange rates are set out in note 33(a)(iv) to the financial statements.

EMPLOYEES AND REMUNERATION POLICY

Total staff costs, including Directors' emoluments, amounted to approximately HK$32.2 million for the year ended 31 December 2011. 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, 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. Subsequent to the year end date, on 19 January 2012, the Company has granted share options to the following executive directors:

Name of Director	No. of shares granted	Exercise price	Exercise period
Mr. Ko Yuk Tong	6,900,000	HK$0.087	20/1/2012 to 19/1/2017
Mr. Ko Chun Hay, Kelvin	6,900,000	HK$0.087	20/1/2012 to 19/1/2017

BUSINESS OBJECTIVES AND USE OF PROCEEDS

Comparison of 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 1 July 2011 to 31 December 2011 is set out below:

Business objectives for the six month period from the 1 July 2011 to 31 December 2011 as stated in the Prospectus	Actual business progress up to 31 December 2011
Development and/or acquisition of brandnames	**A self-developed brandname is under registration in PRC. An acquisition of established brandname is under discussion with a local PRC company.**
Establishment of design and development team	**A team of four sales executive and coordinators have been set up mainly for business development and product design.**
Establishment of concessions and retail outlets	**Negotiation of sales terms for the supply of products to supermarkets is undergoing and establishment of concessions in department stores are exploring in various locations in Guangdong Province and Beijing.**
Expansion of production capacity	**Install new equipment and machinery for the manufacturing of apparel products.**

The business objectives and planned use of proceeds as stated in the Prospectus were based on the best estimation of future market conditions and development made by the Group at the time of preparing the Prospectus while the proceeds were applied in accordance with the actual development in the real market. During the year, the net proceeds from issuance of new shares of the Company had been applied as follows:

	Planned use of proceeds as stated in the Prospectus from the 1 July 2011 to 31 December 2011 *HK$'000*	Actual use of proceeds from the 1 July 2011 to 31 December 2011 *HK$'000*
Development of brandnames	-	62
Establishment of design and development team	-	65
Establishment of concessions and retail outlets	1,000	60
Expansion of production capacity	-	1,742

The total planned use of proceeds for expansion of production capacity was HK$2.5 million, of which HK$0.9 million and HK$1.6 million planned to be used in six months ended 30 June 2011 and six months ending 30 June 2012 respectively. A total of HK$1.7 million was used in the expansion of production capacity for the need to meet the increase sales order during the year.

The Group has fixed its first target market for launching of the Group's products to be in supermarkets, as the Directors believe that it is easier to popularize the brandnames. Under such strategy, certain expansion and development activities were postponed or re-structured, the net proceeds applied during the year are less than forecasted. The Directors expect that most of the business objectives stated in the Prospectus will be revisited in 2012.

All the remaining proceeds as at 31 December 2011 had been placed as interest bearing deposits in banks.

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 year, due to the general reduction of sales orders from overseas buyers, the closure of small apparel and apparel-related manufacturers are noted in Huizhou because of the harsh environment. We are not aware of any improvement of the situation.

The Group anticipates that 2012 will be another year of new challenges to those exporters like us. Under the unstable economic environment, we are now trying to diversify our customer base by selecting the relatively strong background customers from other European countries hoping to create a solid customer base to stabilise our existing business, and hoping for a rapid growth when the market turns around. We determine to carry the business with new customers carefully by accepting bills payment.

On the other hand, sales in China will be our Group’s main focus in the coming days. We expect that sales in this area will appear in 2012 and hopes to be one of the main sources of income of the Group in future.

FINAL DIVIDEND

The directors do not recommend the payment of any dividend in respect of the year ended 31 December 2011 (2010: Nil).

EXECUTIVE DIRECTORS

Mr. Ko Yuk Tong, aged 58, is the chief executive officer and an executive director 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 Madam 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 48, is the chairman and an executive director of the Group. He is responsible for the sales in China, and managing and ensuring that the board of director of the Group functions effectively and takes up the responsibilities imposed 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 corporate finance, audit, taxation and management spanning a diverse range of businesses from manufacturing to property development group. He is the younger brother of Mr. Ko Yuk Tong.

Madam Liu Lai Kuen, aged 53, 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 29, is an executive director of the Group. He has over 5 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 Madam Liu Lai Kuen.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Li Kar Fai, Peter, BA, CPA, aged 47, was appointed as an independent non-executive director on 3 November 2010. 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' 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 43, 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. Pu Li Wei, aged 38, 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 31, 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 52, 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 25, 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 42, 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, coordinating 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 38, 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 as an assistant in the engineering department from 1993 to 1999. Mr. Zhong worked in a decoration materials company as an electricity technician from 1991 to 1993. 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 49, 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.

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 2011.

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 2011, 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 shareholders' value of the Company. The composition of the Board and biographies of the Directors are set out on page 8 to 9 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 reasonable standard of financial and other statutory reporting.

Each of the independent non-executive director has given the Company an annual confirmation of independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers that all the independent non-executive directors are independent and meet the independent guidelines set out in Rule 5.09 of the GEM Listing Rules.

Number of Meetings and Directors' Attendance

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

During the year ended 31 December 2011, 6 board meetings, 4 audit committee meetings, 1 remuneration committee meeting and 1 nomination committee meeting were held. 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**	**Nomination committee**
Executive Directors				
Mr. Ko Yuk Tong (Chief Executive Officer)	6/6	0/4	0/1	0/1
Mr. Ko Chun Hay, Kelvin (Chairman)	6/6	4/4	1/1	1/1
Ms. Liu Lai Kuen	6/6	0/4	0/1	0/1
Mr. Ko Kam Lun	6/6	0/4	1/1	0/1
Independent Non-executive Director				
Mr. Li Kar Fai, Peter (Chairman of audit committee, remuneration committee and nomination committee)	6/6	4/4	1/1	1/1
Mr. Zhang Qing	6/6	4/4	1/1	0/1
Mr. Li Xiao Dong	6/6	4/4	1/1	1/1

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 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 2011.

REMUNERATION COMMITTEE

The Company 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. Mr. Li Kar Fai, Peter was appointed as the chairman of the remuneration committee. During the year under review, the remuneration committee held one 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 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. Mr. Li Kar Fai, Peter was 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. During the year, the nomination committee held one meeting to recommend to the Board.

RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Board is responsible for providing a balanced, clear and understandable corporate information including annual and interim reports, price-sensitive announcements and other disclosures required under the GEM Listing Rules and relevant statutory requirements.

The directors acknowledged their responsibility for preparing the financial statements of the Company for the year ended 31 December 2011.

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 19 to 20.

AUDITOR'S REMUNERATION

The remuneration paid to the external auditors of the Company in respect of audit services for the year ended 31 December 2011 amounted to HK$320,000 (2010: HK$320,000).

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

The Directors present their annual report and the audited financial statements for the year ended 31 December 2011.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding and the activities of its subsidiaries are set out in note 14 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 2011 are set out in note 14 to the financial statements.

RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2011 are set out in the consolidated statement of comprehensive income on page 21 of the annual report.

The Directors do not recommend the payment of any dividend in respect of the year (2010: Nil).

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 and HK$2.1 million was applied in according to the stated business objectives in accordance with the proposed applications set out in the prospectus. The unused proceeds amounted to approximately HK$18.2 million as at 31 December 2011 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.

SEGMENT INFORMATION

Details of segment reporting are set out in note 27 to the financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2011, the aggregate amount of turnover attribute to the Group's largest and the five largest customers was 41.0% and 82.7% of the total value of the Group's turnover respectively. The Group's purchase to the largest and the five largest suppliers accounted for 13.2% and 51.7% of the total value of the Group's purchase respectively.

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 13 to the financial statements.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year are set out in note 24 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 24.

DISTRIBUTABLE RESERVES

At 31 December 2011, the Company's reserves, calculated in accordance with the provisions of Cayman Islands' legislation, amounted to HK$35,097,000 (2010: 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.

FINANCIAL SUMMARY

A summary of the results of the Group for the past four financial years is set out on page 73 of the annual report.

DIRECTORS AND DIRECTORS' SERVICE CONTRACT

In accordance with the Articles of the Company, one-third of the Board of 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.

DIRECTOR

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

Executive directors

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

Independent non-executive directors

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

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 SENIOR 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 9 of the annual report.

DIRECTORS' INTERESTS IN CONTRACTS

Save as disclosed in note 28 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 2011, 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 the 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' INTRESTS AND SHORT POSITIONS IN SHARES AND DEBENTURS OF THE COMPANY

As at 31 December 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%
Madam 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. *Madam 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 2011, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 31 December 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' INTRESTS AND SHORT POSITIONS IN SHARES AND DEBENTURS OF THE COMPANY

As at 31 December 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)	Beneficial owner	519,000,000 (L)	75%

Note:

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 Madam Liu Lai Kuen in the proportion of 51.39%, 48.15% and 0.46% respectively as at 31 December 2011.

For the year ended 31 December 2011, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 31 December 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.

SHARE OPTION

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

(i) Purpose

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

(ii) Qualifying participants

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

(iii) Maximum number of shares

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

(iv) Limit for each participant

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

(v) Option period

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

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

(vi) Acceptance and payment on acceptance

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

(vii) Subscription price

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

(viii) Remaining life of the Option Scheme

The Scheme will remain valid for a period of 10 years commenting from 3 November 2010.

No Option was granted during the year ended 31 December 2011. On 19 January 2012, as approved by the Board of Directors, a total of 13,800,000 Options, have been granted to 2 executive directors at an exercise price of HK$0.087 per Share. As at the date of this report, a total of 55,400,000 Options, representing 8.0% of the existing issued share capital of the Group are available for issue in respect of the remaining options which may be granted under the Scheme. Up to the date of this report, the 13,800,000 Options have not yet been exercise by the Participants.

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 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.

RELATED PARTY TRANSACTION

Details of the related party transactions of the Group and the Company are set out in note 28 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 10 to 12.

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

On 19 January 2012, the Company granted options to subscribe for an aggregate of 13,800,000 shares to its directors. The exercise price of share options was HK$0.087. The options may be exercised at any time after the date of grant of share options to the fifth anniversary of the date of grant.

AUDITORS

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

CONTINGENT LIABILITIES

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

On behalf of the Board
Brilliance Worldwide Holdings Limited

Ko Chun Hay, Kelvin
Chairman

Hong Kong, 30 March 2012

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

INDEPENDENT AUDITOR'S REPORT 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 19 to 72, which comprise the consolidated and company statements of financial position as at 31 December 2011, 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, in accordance with Section 141 of the Hong Kong Companies Ordinance, 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 2011, 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, 30 March 2012

Kwok Cheuk Yuen
Practising Certificate Number P02412

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

	Note	**2011 HK$'000**	2010 HK$'000
TURNOVER	4	**145,593**	133,220
Cost of sales		**(125,772)**	(113,797)
GROSS PROFIT		**19,821**	19,423
Other revenue and other net income	5	**195**	1,609
Selling and distribution expenses		**(4,893)**	(5,253)
Administrative expenses		**(10,898)**	(6,853)
PROFIT FROM OPERATIONS		**4,225**	8,926
Finance costs	6(c)	**(222)**	(285)
PROFIT BEFORE TAXATION	6	**4,003**	8,641
Taxation	7	**(736)**	(531)
PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	10	**3,267**	8,110
Earnings per share			
Basic and diluted (HK$)	11	**0.005**	0.014

The notes on pages 26 to 72 form part of these financial statements.

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Property, plant and equipment	13	**5,823**	9,482
Current assets			
Inventories	15	**16,934**	16,749
Trade and other receivables	16	**19,071**	19,810
Amount due from ultimate holding company	18	**195**	642
Pledged bank deposits	19	**8,002**	–
Cash and bank balances	20	**19,482**	21,503
		63,684	58,704
Current liabilities			
Trade and other payables	21	**16,498**	19,763
Bank borrowings	22	**5,653**	4,487
Tax payables	7(b)	**73**	30
		22,224	24,280
Net current assets		**41,460**	34,424
Total assets less current liabilities		**47,283**	43,906
Non-current liabilities			
Deferred tax liabilities	23	**441**	331
NET ASSETS		**46,842**	43,575
EQUITY			
Share capital	24	**6,920**	6,920
Reserves		**39,922**	36,655
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**46,842**	43,575

Approved and authorised for issue by the board of directors on 30 March 2012.

Ko Chun Hay, Kelvin
Chairman

Ko Yuk Tong
Chief Executive Officer

The notes on pages 26 to 72 form part of these financial statements.

STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

	Note	2011 HK$'000	2010 HK$'000
Non-current assets			
Investments in subsidiaries	14	**19,047**	19,047
Current assets			
Amount due from a subsidiary	17	**5,968**	4,914
Amount due from ultimate holding company	18	**486**	331
Pledged bank deposits	19	**3,002**	–
Cash and bank balances	20	**14,302**	18,192
		23,758	23,437
Current liabilities			
Other payables and accruals	21	**788**	717
Net current assets		**22,970**	22,720
Total assets less current liabilities		**42,017**	41,767
NET ASSETS		**42,017**	41,767
EQUITY			
Share capital	24	**6,920**	6,920
Reserves	25	**35,097**	34,847
TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**42,017**	41,767

Approved and authorised for issue by the board of directors on 30 March 2012.

Ko Chun Hay, Kelvin
Chairman

Ko Yuk Tong
Chief Executive Officer

The notes on pages 26 to 72 form part of these financial statements.

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Capital reserve** HK$'000	**Merger reserve** HK$'000	**Retained earnings** HK$'000	**Total** HK$'000
At 1 January 2010	10	–	–	–	8,721	8,731
Issue of ordinary shares of a subsidiary for loan capitalisation (note 25(b)(ii))	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 24(b)(iii))	–	–	–	–	–	–
Issue of ordinary shares of the Company pursuant to the reorganisation (note 24(b)(iii))	550	–	–	(383)	–	167
Issue of ordinary shares of the Company pursuant to the capitalisation (note 24(b)(iv))	5,185	(5,185)	–	–	–	–
Issue of ordinary shares of the Company upon placing (note 24(c) and 25(b)(i))	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 and 1 January 2011	6,920	16,489	3,718	(383)	16,831	43,575
Profit and total comprehensive income for the year	–	–	–	–	3,267	3,267
At 31 December 2011	**6,920**	**16,489**	**3,718**	**(383)**	**20,098**	**46,842**

The notes on pages 26 to 72 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2011

	Notes	2011 HK$'000	2010 HK$'000
OPERATING ACTIVITIES			
Profit before taxation		**4,003**	8,641
Finance costs	6(c)	**222**	285
Depreciation on property, plant and equipment	13	**5,219**	4,845
Bank interest income	5	**(124)**	–
Interest income from loans to a director	5	**–**	(63)
(Gain)/loss on disposal of property, plant and equipment	6(b)	**(48)**	44
		9,272	13,752
Changes in working capital			
Increase in inventories		**(185)**	(11,536)
Decrease/(increase) in trade and other receivables		**739**	(6,088)
Decrease in amount due from a director		**–**	2,837
Decrease/(increase) in amount due from ultimate holding company	29(c)	**447**	(486)
Decrease in trade and other payables		**(3,265)**	(793)
CASH GENERATED FROM/(USED IN) OPERATIONS		**7,008**	(2,314)
Hong Kong profits tax paid	7(b)	**(583)**	(1,652)
NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES		**6,425**	(3,966)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	**(1,742)**	(2,048)
Sales proceed on property, plant and equipment		**230**	363
Increase in pledged bank deposits		**(8,002)**	–
Bank interest received		**124**	–
NET CASH USED IN INVESTING ACTIVITIES		**(9,390)**	(1,685)
FINANCING ACTIVITIES			
Proceed from secured bank loans		**6,640**	7,000
Repayment of secured bank loans		**(9,435)**	(6,993)
Net fund arising from discounted bills with recourse		**1,860**	–
Interests paid		**(222)**	(271)
Proceeds from issuance of shares upon listing		**–**	27,255
Transaction costs directly attributable to the issuance of shares		**–**	(4,396)
NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES		**(1,157)**	22,595
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(4,122)**	16,944
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**19,811**	2,867
CASH AND CASH EQUIVALENTS AT END OF YEAR	20	**15,689**	19,811

The notes on pages 26 to 72 form part of these financial statements.

1. 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's subsidiaries as set out in note 14 are principally engaged in garment manufacturing.

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 Company and its subsidiaries (the "Group") are set out below.

The HKICPA has 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 any changes in accounting policies resulting from 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.

b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2011 comprise the Company and its subsidiaries.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b) Basis of preparation of the financial statements (Continued)

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 the Group's 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 33.

c) Merger accounting for common control combinations

Business combinations under common control are accounted for in accordance with the merger accounting method. 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 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

c) Business combinations under common control combinations (Continued)

The consolidated statement of comprehensive income include the results of each of the combining entities or businesses 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 businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Intra-group transactions, balances and unrealised profits on transactions between group companies are eliminated in full. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of an impairment of the asset transferred.

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 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).

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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)):

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 classified as held under finance lease is depreciated over the unexpired term of lease.

– building situated on leasehold land are depreciated 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 the 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 recognised in profit or loss 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) *Assets acquired under finance leases*

Where the Group acquires the use of assets under finance leases, the amounts representing the fair value of the leased asset, or, if lower, the present value of the minimum lease payments, of such assets are included in property, plant and equipment and the corresponding liabilities, net of finance charges, are recorded as obligations under finance leases. Depreciation is provided at rates which write off the cost or valuation of the assets over the term of the relevant lease or, where it is likely the Group will obtain ownership of the asset, the life of the asset, as set out in note 2(e). Impairment losses are accounted for in accordance with the accounting policy as set out in note 2(g). Finance charges implicit in the lease payments are charged to profit or loss over the period of the leases so as to produce an approximately constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

iii) *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 charged as expenses in the accounting period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f) Leased assets (Continued)

iv) Leasehold land and building

When a lease includes both land and building elements, the Group assesses the classification of each element as a finance or an operating lease separately based on the assessment as to whether substantially all the risks and rewards incidental to ownership of each element have been transferred to the Group, unless it is clear that both elements are operating leases in which case the entire lease is classified as an operating lease.

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 statement of financial position and is amortised over the lease term on a straight-line basis.

g) Impairment of assets

i) Impairment of trade and other receivables

Trade and other 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment of assets (Continued)

i) Impairment of trade and other receivables (Continued)

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

– For investments in subsidiaries, the impairment loss is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 2(g)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with note 2(g)(ii).

– 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 these financial assets 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 debtors and bills receivable 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 and bills receivable 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

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 to reduce the carrying amount of the assets in the unit (or group of units) on a pro rata basis, except that the carrying amount 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

g) Impairment of assets (Continued)

iii) Interim financial reporting and impairment

Under GEM Listing Rules, the Group 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 Group 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)).

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 using the effective interest method, 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 retirement 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.

ii) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

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.

The limited exceptions to recognition of deferred tax assets and liabilities are the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination) or in the case of deductible differences, unless it is probable that they will reverse in the future.

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

n) Income tax (Continued)

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 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 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

a) A person, or a close member of that person's family, is related to the Group if that person:

  i) has control or joint control over the Group;

  ii) has significant influence over the Group; or

  iii) is a member of the key management personnel of the Group or the Group's parent.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s) Related parties (Continued)

b) An entity is related to the Group if any of the following conditions applies:

i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

iii) Both entities are joint ventures of the same third party.

iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.

v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.

vi) The entity is controlled or jointly controlled by a person identified in (a).

vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

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.

3. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied the following new and revised HKFRSs issued by the HKICPA.

Amendments to HKFRSs	Improvements to HKFRSs issued in 2010
HKAS 24 (as revised in 2009)	Related Party Disclosures
Amendments to HKAS 32	Classification of Rights Issues
Amendments to HK(IFRIC) – Int 14	Prepayments of a Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments

Except as described below, the application of the new and revised HKFRSs in the current year has had no material effect on the Group's financial performance and positions for the current and prior accounting periods and/or on the disclosures set out in these financial statements.

HKAS 24 Related Party Disclosures (as revised in 2009)

HKAS 24 (as revised in 2009) has been revised on the following two aspects: (a) HKAS 24 (as revised in 2009) has changed the definition of a related party and (b) HKAS 24 (as revised in 2009) introduces a partial exemption from the disclosure requirements for government-related entities.

The Company and its subsidiaries are not government-related entities. The application of the revised definition of related party set out in HKAS 24 (as revised in 2009) in the current year has not resulted in the identification of related parties that were not identified as related parties under the previous Standard. No change in the related party disclosures set out in note 28 have been made as a result of the application of the revised Standard.

4. TURNOVER

The principal activity of the Group is garment manufacturing.

Turnover represents the sales value of goods supplied to customers as follows:

	2011 HK$'000	2010 HK$'000
Sales of garments	**145,593**	133,220

5. OTHER REVENUE AND OTHER NET INCOME

	2011 HK$'000	2010 HK$'000
Other revenue		
Bank interests income on bank deposits	**124**	–
Interest income from loans to a director	**–**	63
Total interest income on financial assets not at fair value through profit or loss	**124**	63
Other net income		
Gain on disposal of property, plant and equipment	**48**	–
Net foreign exchange gain	**–**	236
Compensation from supplier on defective goods	**–**	1,130
Others	**23**	180
	71	1,546
	195	1,609

6. PROFIT BEFORE TAXATION

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

a) Staff costs

	2011 HK$'000	2010 HK$'000
Salaries, allowances and other benefit (including directors' remuneration (Note 8))	**32,140**	30,392
Mandatory provident fund contributions	**65**	49
	32,205	30,441

6. PROFIT BEFORE TAXATION (CONTINUED)

b) Other items

	2011 HK$'000	2010 HK$'000
Auditor's remuneration	**320**	468
Cost of inventories (note i)	**125,772**	113,797
Processing fees (note ii)	**32,378**	32,365
Depreciation	**5,219**	4,845
Listing expenses (note (iii))	**229**	40
Operating lease charges	**750**	724
(Gain)/loss on disposal of property, plant and equipment	**(48)**	44
Exchange loss, net	**359**	–

c) Finance costs

	2011 HK$'000	2010 HK$'000
Interest on bank advances wholly repayable within five years	**222**	208
Interest on other bank advances	**–**	63
Interest on loans from directors	**–**	14
Total interest expense on financial liabilities not at fair value through profit or loss	**222**	285

The amount of finance cost includes bank loans which contain a repayment on demand clause in accordance with the agreed scheduled repayments dates set out in the loan agreement. For the years ended 31 December 2010 and 2011, the interest on bank borrowings which contain a repayment on demand clause amounted to HK$Nil and HK$63,000 respectively.

Notes:

i) Cost of inventories includes HK$33,548,000 (2010: HK$32,773,000) 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:

	2011 HK$'000	2010 HK$'000
Staff cost		
– Salaries, allowances and other benefits	**3,006**	3,163
Cost of inventories		
– Direct labour	**27,578**	27,229
– Utilities	**1,044**	1,249
– Rental	**750**	724

iii) The listing expenses represents professional fees and other expenses related to the listing of Company's shares on the Stock Exchange being recognised for the years ended 31 December 2010 and 2011. Pursuant to HKAS 32 Financial Instruments: Presentation, the transaction costs of an equity transaction are accounted for as a deduction from equity (net any related income tax benefit) to the extent they are directly attributable to the equity transaction that otherwise would have been avoided.

7. TAXATION

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

	2011 HK$'000	2010 HK$'000
Current tax – Hong Kong profits tax		
Provision for the year	**626**	923
Overprovision in respect of prior years	**–**	(7)
	626	916
Deferred taxation (Note 23)		
Origination and (reversal) of temporary differences	**110**	(385)
	736	531

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 year in these jurisdictions (2010: Nil).

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

	2011 HK$'000	2010 HK$'000
Profit before taxation	**4,003**	8,641
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	**660**	1,426
Tax effect of non-taxable net income relating to offshore operation	**(488)**	(923)
Overprovision in prior year	**–**	(7)
Tax effect of deductible temporary difference	**614**	3
Tax effect of non-taxable income	**(50)**	–
Tax effect on non-deductible expenses	**–**	32
Actual tax expense	**736**	531

7. TAXATION (CONTINUED)

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

	2011 HK$'000	2010 HK$'000
At 1 January	**30**	766
Provision for the year	**626**	923
Overprovision in prior year	**–**	(7)
Tax paid	**(583)**	(1,652)
At 31 December	**73**	30

8. DIRECTORS' REMUNERATION

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

	Year ended 31 December 2011				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Chairman and executive director					
Ko Chun Hay, Kelvin (Note i)	120	–	83	–	203
Executive directors					
Ko Yuk Tong (Note ii)	240	–	83	24	347
Liu Lai Kuen (Note ii)	120	–	–	13	133
Ko Kam Lun (Note ii)	120	122	–	13	255
Independent non-executive directors					
Li Xiao Dong (Note iii)	18	–	–	–	18
Zhang Qing (Note iii)	18	–	–	–	18
Li Kar Fai, Peter (Note iii)	24	–	2	–	26
	660	122	168	50	1,000

8. DIRECTORS' REMUNERATION (CONTINUED)

	Year ended 31 December 2010				
	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary bonuses HK$'000	Retirement scheme contributions HK$'000	Total HK$'000
Chairman and non-executive director					
Ko Chun Hay, Kelvin (Note i)	19	–	–	–	19
Executive directors					
Ko Yuk Tong (Note ii)	38	–	–	–	38
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

Note:

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

ii) Mr. Ko Yuk Tong, Madam Liu Lai Kuen and Mr. Ko Kam Lun was 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 2010 and 2011, no director of the Company waived any emoluments and no emoluments were paid or payable by the Group 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, four (2010: three) were directors of the Company whose emoluments are included in the disclosures in note 8. The emoluments of the remaining individual (2010: two) was as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other benefits	**207**	695
Contributions to retirement benefits schemes	**–**	47
	207	742

During the years ended 31 December 2010 and 2011, 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 employments of individuals other than the directors with the highest emoluments are whose emoluments fall within the following band were as follows:

	2011	2010
	HK$'000	HK$'000
HK$Nil to HK$1,000,000	**1**	2

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company includes a profit of HK$250,000 (2010: loss of HK$139,000) which has been dealt with in the financial statements of the Company.

11. EARNINGS PER SHARE

The calculations of the basic and diluted earnings per share attributable to owners of the Company are based on the following data:

	2011	2010
	HK$'000	HK$'000
Earnings		
Profit for the year attributable to owners of the Company	**3,267**	8,110

	2011	2010
	No. of shares	No. of shares
Number of shares		
Weighted average number of ordinary shares	**692,000,000**	585,512,000

The weighted average number of ordinary shares for the purpose of calculating basic earnings per share for the year ended 31 December 2010 was based on the assumption that the 573,500,000 shares issued and outstanding upon the reorganisation implemented to rationalize the structure of the Group in preparation for the listing of the Company's shares on the GEM Board of the Stock Exchange had been in issue as at the beginning of that year and had also been adjusted to reflect the 118,500,000 new 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.

12. 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$20,000. Contributions to the plan vest immediately.

13. 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 2010	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 and 1 January 2011	1,000	11,677	10,128	1,890	24,695
Additions	–	1,446	296	–	1,742
Disposal	–	(1,316)	–	–	(1,316)
At 31 December 2011	1,000	11,807	10,424	1,890	25,121
Accumulated depreciation					
At 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 and 1 January 2011	20	6,870	7,394	929	15,213
Charge for the year	20	2,447	2,413	339	5,219
Written back on disposal	–	(1,134)	–	–	(1,134)
At 31 December 2011	40	8,183	9,807	1,268	19,298
Carrying amount					
At 31 December 2011	960	3,624	617	622	5,823
At 31 December 2010	980	4,807	2,734	961	9,482

The leasehold land and building held for own use in Hong Kong under medium term lease and are pledged to a bank to secure banking facilities granted to the Group (note 22).

14. INVESTMENTS IN SUBSIDIARIES

	The Company	
	2011	2010
	HK$'000	HK$'000
Unlisted shares, at cost	**19,047**	19,047

The following list contains only the particulars 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	**Place of incorporation and kind of legal entity**	**Principal activities and place of operation**	**Particulars of issued and paid up share capital**	**Group's effective Interest**	**Held by the Company**	**Held by a subsidiary**
Prosperity Global Investments Limited ("Prosperity Global")	British Virgin Islands, Limited liability company	Investment holding in Hong Kong	US$20,000	100%	100%	–
Yoko Garment Limited ("Yoko Garment")	Hong Kong, Limited liability company	Garment manufacturing in Hong Kong	HK$10,800*	100%	–	100%
Koko Garment (Huizhou) Limited ("Koko Garment")	Hong Kong, Limited liability company	Sales of garment in Hong Kong	HK$100,000	100%	–	100%
Brilliance Investment Holdings Limited ("Brilliance Investment")	Hong Kong, Limited liability company	Inactive in Hong Kong	HK$10,000	100%	–	100%

* Pursuant to the reorganisation during the year ended 31 December 2010, Prosperity Global acquired an aggregate of 10,800 ordinary shares of HK$1 each in Yoko Garment, being its entire issued share capital, as to 5,500 ordinary shares from Mr. Ko Yuk Tong, 2,000 ordinary shares from Ms. Liu Lai Kuen and as to the remaining 3,300 ordinary shares from Mr. Ko Chun Hay, Kelvin and in consideration for which, an aggregate of 10,000 ordinary shares of US$1 each in Prosperity Global, credited as fully paid, had been allotted and issued to Magic Ahead.

15. INVENTORIES

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Raw materials	**11,275**	10,031
Work-in-progress	**3,807**	3,789
Finished goods	**1,852**	2,929
	16,934	16,749

b) The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Carrying amount of inventories sold	**125,772**	113,797

16. TRADE AND OTHER RECEIVABLES

	The Group	
	2011	2010
	HK$'000	HK$'000
Trade receivables	**17,048**	19,560
Bills discounted with recourse	**1,860**	–
Loans and receivables	**18,908**	19,560
Deposits and prepayments	**163**	250
	19,071	19,810

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

a) Ageing analysis

Included in trade and other receivables are trade and bills receivables (net of allowance for doubtful debts) with the following ageing analysis presented based on invoice date as of the end of the reporting period:

	The Group	
	2011	2010
	HK$'000	HK$'000
0-90 days	**18,883**	19,537
91-180 days	**–**	–
181-365 days	**25**	23
	18,908	19,560

Trade and bills 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 32(a)(i).

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

b) Impairment of trade and bills receivables

Impairment losses in respect of trade and bills 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 and bills receivables directly (see note 2(g)). At 31 December 2010 and 2011, no impairment is recognised in respect of trade and bills receivables.

c) Trade and bills receivables that are not impaired

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

	The Group	
	2011	2010
	HK$'000	HK$'000
Neither past due nor impaired	**18,880**	19,178
Past due but not impaired		
Less than 3 months past due	**3**	359
3 to 12 months past due	**–**	23
Over 1 year	**25**	–
	28	382
	18,908	19,560

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.

17. AMOUNT DUE FROM A SUBSIDIARY

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

18. AMOUNT DUE FROM ULTIMATE HOLDING COMPANY

Particulars of amount due from ultimate holding company disclosed pursuant to Section 161B of the Hong Kong Companies Ordinance are as follows:

The Group

	Maximum amount outstanding			
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Magic Ahead Investments Limited	**642**	642	**195**	642

The Company

	Maximum amount outstanding			
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Magic Ahead Investments Limited	**486**	331	**486**	331

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

19. PLEDGED BANK DEPOSITS

The Group

Pledged bank deposits represent deposits pledged to banks to secure banking facilities granted to the Group. Deposits amounting to HK$8,002,000 (2010: HK$Nil) have been pledged to secure short-term bank borrowings (note 22) and are therefore classified as current assets.

The interest rate on the deposits were ranged from 0.19% to 0.49% (2010: Nil) per annum.

The Company

Pledged bank deposits represent deposits pledged to a bank to secure banking facilities granted to a subsidiary of the Company. Deposits amounting to HK$3,002,000 (2010: HK$Nil) have been pledged to secure short-term bank borrowings (note 22) and are therefore classified as current assets.

The interest rates on the deposits was 0.19% (2010: Nil) per annum.

20. CASH AND CASH EQUIVALENTS

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**5,660**	4,503	**480**	1,192
Bank deposits	**13,822**	17,000	**13,822**	17,000
Cash and bank balances	**19,482**	21,503	**14,302**	18,192
Bank overdrafts, secured (note 22)	**(3,793)**	(1,692)	**–**	–
Cash and cash equivalents in the statements of financial position and consolidated statement of cash flows	**15,689**	19,811	**14,302**	18,192

The interest rates on the cash at bank and deposits with banks ranged from 0% to 1.58% (2010: 0% to 0.475%) per annum.

20. CASH AND CASH EQUIVALENTS (CONTINUED)

The bank overdraft 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 13).

The bank overdraft bore interests at 1% per annum below Hong Kong prime rate, was secured by the Group's pledged bank deposits (note 19).

21. TRADE AND OTHER PAYABLES

	The Group		The Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables	**12,416**	15,553	**–**	–
Other payables and accruals	**4,082**	4,210	**788**	717
Financial liabilities measured at amortised cost	**16,498**	19,763	**788**	717

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

	The Group	
	2011	2010
	HK$'000	HK$'000
0-90 days	**11,476**	14,258
91-180 days	**940**	1,295
181-365 days	**–**	–
Over 365 days	**–**	–
	12,416	15,553

22. BANK BORROWINGS

At 31 December 2011, the bank borrowings were repayable as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Within 1 year or on demand	**5,653**	4,487

At 31 December 2011, the bank borrowings were secured as follows:

	The Group	
	2011	2010
	HK$'000	HK$'000
Financial liabilities on bills discounted with recourse	**1,860**	–
Secured bank overdrafts (note 20)	**3,793**	1,692
Secured bank loans	**–**	2,795
	5,653	4,487

22. BANK BORROWINGS (CONTINUED)

At 31 December 2011, the banking facilities of a subsidiary were secured by the leasehold land and buildings with an aggregate carrying value of HK$960,000 (2010: HK$980,000). Such banking facilities amounted to HK$5,000,000 (2010: HK$5,000,000) were utilised to the extent of HK$1,431,000 (2010: HK$4,487,000).

At 31 December 2011, the banking facilities of certain subsidiaries are secured by bank deposits amounting to HK$8,002,000 (2010: HK$nil) (see note 19). Such banking facilities amounting to HK$18,000,000 (2010: HK$nil) were utilised to the extent of HK$2,362,000 (2010: HK$nil).

All of the Group's banking facilities are subject to the fulfillment of covenants relating to certain of the Group's statement of financial position ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out in note 32(a)(ii). As at 31 December 2011, none of the covenants relating to drawn down facilities had been breached (2010: $nil).

At the end of the reporting period, the Group had United States dollars denominated bank borrowings of HK$1,860,000 (2010: HK$706,000). All other bank borrowings are denominated in Hong Kong dollars.

23. DEFERRED TAX LIABILITIES

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

	2011 **HK$'000**	2010 HK$'000
At 1 January	**331**	716
Charged/(credited) to profit or loss	**110**	(385)
At 31 December	**441**	331

24. 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 and 2011		–	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 and 2011		–	692,000,000	6,920,000

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 years ended 31 December 2010 and 2011.

Notes:

a) The authorised share capital of the Company as at the date of its incorporation was HK$100,000 divided 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.

24. SHARE CAPITAL (CONTINUED)

Notes: (Continued)

b) Pursuant to the written resolution of sole shareholder of the Company passed on 3 November 2010, the followings 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 1,000 shares HK$0.1 each to 10,000 shares 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 therefore 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 capitalise 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.

25. 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 25(b)(i)) HK$'000	Contributed surplus (note 25(b)(iv)) HK$'000	(Accumulated losses)/ retained earnings 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 24(b)(iv))	(5,185)	–	–	(5,185)
Issue of 118,500,000 ordinary shares of the Company upon placing (note 25(b)(i))	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
Profit and total comprehensive income for the year	–	–	250	250
At 31 December 2011	16,489	18,497	111	35,097

25. RESERVES (CONTINUED)

b) Nature and purpose of reserves

i) Share premium

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.

On 25 November 2010, 118,500,000 new shares of the Company 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. As a result, share premium of HK$26,070,000 was credited to the share premium account.

ii) Capital reserve

On 18 March 2010, Yoko Garment capitalised the indebtedness of HK$3,719,432 including the loan from a director and amount due to a director of HK$2,747,267 and HK$972,165 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. As a result, share premium of HK$3,718,633 was credited to the share premium account of Yoko Garment. This share premium of Yoko Garment of HK$3,718,633 is governed by Section 48B of the Hong Kong Companies Ordinance and it is not distributable to the owners of Yoko Garment. Upon reorganisation of the Group, it is recognised as capital reserve on group level.

iii) 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 during the year ended 31 December 2010.

iv) 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 during the year ended 31 December 2010.

c) The Company's reserves as at 31 December 2011 available for distribution to owners of the Company as calculated under the provision of the Companies Law of the Cayman Islands are approximately HK$35,097,000 (2010: HK$34,847,000).

26. SHARE OPTIONS SCHEME

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

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

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

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

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

As at 31 December 2010 and 2011, no options have been granted to eligible participants under the Share Option Scheme.

27. 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 consolidated financial information to assess the performance and makes resource allocation decisions. Accordingly, no segmental revenue, results, assets and liabilities are presented.

Geographical information

The Group's operations are located in Hong Kong.

The Group's revenue from external customers and information about its non-current assets by geographical location of the assets are detailed below:

	2011		2010	
	Revenue HK$'000	**Non-current assets HK$'000**	Revenue HK$'000	Non-current assets HK$'000
Sweden	**71,013**	**–**	62,910	–
U.K.	**26,361**	**–**	26,075	–
Spain	**17,007**	**–**	9,249	–
Germany	**12,290**	**–**	13,154	–
Hong Kong	**16,212**	**5,823**	20,864	9,482
Japan	**595**	**–**	944	–
Italy	**1,012**	**–**	–	–
Others	**1,103**	**–**	24	–
Total turnover	**145,593**	**5,823**	133,220	9,482

Information about products

	2011 HK$'000	2010 HK$'000
Innerwear	**64,136**	65,655
Casual wear	**58,110**	57,588
Baby and children wear	**23,347**	9,977
Total turnover	**145,593**	133,220

27. SEGMENT REPORTING (CONTINUED)

Information about major customers

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

	2011	2010
	HK$'000	HK$'000
Customer A	**59,742**	49,180
Customer B	**24,048**	24,406
Customer C	**17,007**	13,730
	100,797	87,316

28. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances disclosed in these financial statements, the Group had the following transactions with related parties during the year:

a) Financing arrangement

			Related interest income/(expenses)	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Loans to a director, Ko Yuk Tong				
Repaid from	**–**	(2,788)		
Outstanding balance	**–**	–	**–**	63
Maximun amount outstanding	**–**	2,788		
Loans from a director, Ko Chun Hay, Kelvin				
Advance from	**–**	–		
Repaid to	**–**	2,747		
Outstanding balance	**–**	–	**–**	(14)
Amount due from a director, Ko Yuk Tong				
Advance to	**–**	143		
Repaid from	**–**	(143)		
Outstanding balance	**–**	–	**N/A**	N/A
Maximun amount outstanding	**–**	143		
Amount due to a director, Ko Chun Hay, Kelvin				
Advance from	**–**	–		
Repaid to	**–**	972		
Outstanding balance	**–**	–	**N/A**	N/A
Amount due from ultimate holding company, Magic Ahead				
Advance to	**–**	642		
Repaid from	**(447)**	–		
Outstanding balance (note 18)	**195**	642	**N/A**	N/A

28. RELATED PARTY TRANSACTIONS (CONTINUED)

b) Key managements 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 is as follows:

	2011	2010
	HK$'000	HK$'000
Salaries and other short-term benefits	**1,204**	524
Post-employment benefits	**60**	26
	1,264	550

c) Guarantees from directors

During the year ended 31 December 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.

29. NON-CASH TRANSACTIONS

a) During the year ended 31 December 2010, the interest income on loans to a director, Mr. Ko Yuk Tong of HK$63,000 were effected through the current accounts with the director.

b) 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$3,719,432 to Mr. Ko Chun Hay, Kelvin for capitalisation of loan from him and amount due to him of approximately HK$2,747,267 and HK$972,165 respectively.

c) During the year ended 31 December 2010, 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.

30. ULTIMATE HOLDING COMPANY AND CONTROLLING PARTY

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.

31. EVENTS AFTER THE REPORTING PERIOD

On 19 January 2012, the Company granted options to subscribe for an aggregate of 13,800,000 shares to its directors. The exercise price of share options was HK$0.087. The options may be exercised at any time after the date of grant of share options to the fifth anniversary of the date of grant.

32. FINANCIAL RISK MANAGEMENT AND CAPITAL DISCLOSURES

a) Financial risk managements and policies

The Group's major financial instruments include cash and cash equivalents, secured bank loans and overdrafts, amount due from ultimate holding company, trade and other receivables, trade payables and other payables and accruals. Details of the financial instruments are disclosed in respective notes. The risk associated with these financial instruments include credit risk, liquidity risk, currency risk and interest rate risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

i) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of merely dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

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.

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 19% (2010: 23%) and 87% (2010: 83%) 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 16.

32. FINANCIAL RISK MANAGEMENT AND CAPITAL DISCLOSURES (CONTINUED)

a) Financial risk managements and policies (Continued)

ii) Liquidity risk

Individual operating entities within 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 set out the Group's and the Company's remaining contractual maturities at the end of the reporting period of the Group's and the Company's non-derivative financial liabilities on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period and the earliest date the Group and the Company can be required to pay.

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 Group

	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$'000	More than 5 years HK$'000	Total contractual undiscounted cash outflows HK$'000	Carrying amount HK$'000
At 31 December 2011						
Financial liabilities on bills discounted with recourse	**1,860**	**–**	**–**	**–**	**1,860**	**1,860**
Bank overdrafts	**3,793**	**–**	**–**	**–**	**3,793**	**3,793**
Trade and other payables	**16,498**	**–**	**–**	**–**	**16,498**	**16,498**
	22,151	**–**	**–**	**–**	**22,151**	**22,151**

	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$'000	More than 5 years HK$'000	Total contractual undiscounted cash outflows HK$'000	Carrying amount HK$'000
At 31 December 2010						
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

32. FINANCIAL RISK MANAGEMENT AND CAPITAL DISCLOSURES (CONTINUED)

a) Financial risk managements and policies (Continued)

ii) Liquidity risk (Continued)

The Company

	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$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2011						
Other payables and accruals	**788**	**–**	**–**	**–**	**788**	**788**

	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$'000	More than 5 years HK$'000	Total contractual undiscounted cash flow HK$'000	Carrying amount HK$'000
At 31 December 2010						
Other payables and accruals	717	–	–	–	717	717

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 for the year ended 31 December 2010.

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

	On demand HK$'000	Within 1 year HK$'000	More than 1 year but less than 2 years HK$'000	More than 2 years but less than 5 years HK$'000	More than 5 years HK$'000	Total undiscounted cash outflows HK$'000
31 December 2011	–	–	–	–	–	–
31 December 2010	–	2,795	–	–	–	2,795

32. FINANCIAL RISK MANAGEMENT AND CAPITAL DISCLOSURES (CONTINUED)

a) Financial risk managements and policies (Continued)

iii) Interest rate risk

The Group manages its interest rate exposure based on interest rate level and outlook as well as the potential impact on the Group's financial position arising from volatility. The Group currently does not have any interest rate hedging policy in relation to fair value and cash flow interest rate risks. The directors monitor the Group's exposure on an ongoing basis and will consider hedging the interest rate should the need arises.

The Group is exposed to interest rate risk through the impact of rates changes on interest-bearing borrowing, predominantly with variable interest rate.

The Group is exposed to cash flow interest rate risk in relation to variable-rate bank borrowings (see Note 22 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:

	2011		2010	
	Effective interest rate %	**HK$'000**	Effective interest rate %	HK$'000
Variable rate borrowings:				
Bank overdraft	**6.5% – 7.5%**	**3,793**	7.5%	1,692
Bank loans	**–**	**–**	2.5%	2,795
		3,793		4,487

ii) Sensitivity analysis

At 31 December 2011, 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$32,000 (2010: HK$45,000). Other components of consolidated equity would not change in response to the general increase/decrease in interest rates.

The sensitivity analyses above have been determined based on the exposure to interest rates at the end of the reporting period. The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2010: 100 basis points) increase or decrease in interest rates is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. The analysis is performed on the same basis for 2010.

32. FINANCIAL RISK MANAGEMENT AND CAPITAL DISCLOSURES (CONTINUED)

a) Financial risk managements and policies (Continued)

iv) Currency risk

i) Exposure to currency risk

Presently, there is no hedging policy with respect policy with respect to the foreign exchange exposure. The Group is exposed to currency risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are primarily Renminbi and United States dollar.

The following table details the Group's exposure at the end of the reporting period to currency risk arising from 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.

	Exposure to foreign currencies (expressed in Hong Kong dollars)			
	2011		2010	
	United States dollars HK$'000	**Renminbi HK$'000**	United States dollars HK$'000	Renminbi HK$'000
Cash and cash equivalents	**–**	**3,819**	–	2,344
Trade and other receivables	**14,665**	**2,972**	15,876	3,137
Trade and other payables	**–**	**(16,574)**	–	(14,009)
Financial liabilities on bills discounted with recourse	**(1,860)**	**–**	–	–
Net exposure arising from recognised assets and liabilities	**12,805**	**(9,783)**	15,876	(8,528)

ii) Sensitivity analysis

The following table indicates the instantaneous change in the Group's profit after tax (and retained profits) that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant. 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.

32. FINANCIAL RISK MANAGEMENT AND CAPITAL DISCLOSURES (CONTINUED)

a) Financial risk managements and policies (Continued)

iv) Currency risk (Continued)

ii) Sensitivity analysis (Continued)

The Group

	2011		2010	
	Increase/ (decrease) in foreign exchange rates	**Effect on profit after tax and retained profits HK$'000**	Increase/ (decrease) in foreign exchange rates	Effect on profit after tax and retained profits HK$'000
Renminbi	**5%**	**408**	5%	356
	(5%)	**(408)**	(5%)	(356)

Results of the analysis as presented in the above table represent an aggregation of the instantaneous effects on each of the group entities' profit after tax and equity measured in the respective functional currencies, translated into Hong Kong dollars at the exchange rate ruling at the end of the reporting period for presentation purposes.

The sensitivity analysis has been determined assuming that the change in foreign exchange rates had been applied to re-measure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis is performed on the same basis for 2010.

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.

32. FINANCIAL RISK MANAGEMENT AND CAPITAL DISCLOSURES (CONTINUED)

b) Capital management (Continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt/(cash) is calculated as total borrowings (including "current and non-current borrowings" as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as "equity" as shown in the consolidated statement of financial position plus net debt, if any.

The debt to equity ratio of the Company as at 31 December 2010 and 2011 are as follows:

	2011 **HK$'000**	2010 HK$'000
Bank borrowings	**5,653**	4,487
Less: cash and cash equivalents	**(15,689)**	(19,811)
Net cash	**(10,036)**	(15,324)
Total equity	**46,842**	43,575
Net debt to equity	**N/A**	N/A

Neither the Company nor any its subsidiaries are subject to externally imposed 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 2010 and 2011.

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.

33. CRITICAL ACCOUNTING ESTIMATES

Key sources of estimation uncertainty

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

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 2011 were HK$5,823,000 (2010: HK$9,482,000).

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 amount 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 2011 were HK$5,823,000 (2010: HK$9,482,000).

iii) *Impairment of receivables*

The Group maintains impairment allowance for doubtful debts 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 2011 were HK$19,071,000 (2010: HK$19,810,000).

33. CRITICAL ACCOUNTING ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

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 2011 were HK$16,934,000 (2010: HK$16,749,000).

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 only if 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 2011 was HK$736,000 (2010: HK$531,000) and the carrying amount of deferred tax liabilities and tax payable as at 31 December 2011 were HK$441,000 and HK$73,000 (2010: HK$331,000 and HK$30,000) respectively.

34. POSSIBLE IMPACT OF NEW AND REVISED STANDARDS, AMENDMENTS OR AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2011

Up to the date of issue of these financial statements, the HKICPA has issued the following new and revised Standards, Amendments or Interpretations which are not yet effective for the year ended 31 December 2011.

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

Amendments to HKFRS 7	Disclosures – Transfers of Financial Assets[1]
	Disclosures – Offsetting Financial Assets and Financial Liabilities[2]
	Mandatory Effective Date of HKFRS 9 and Transition Disclosures[3]
HKFRS 9	Financial Instruments[3]
HKFRS 10	Consolidated Financial Statements[2]
HKFRS 11	Joint Arrangements[2]
HKFRS 12	Disclosure of Interests in Other Entities[2]
HKFRS 13	Fair Value Measurement[2]
Amendments to HKAS 1	Presentation of Items of Other Comprehensive Income[5]
Amendments to HKAS 12	Deferred Tax – Recovery of Underlying Assets[4]
HKAS 19 (as revised in 2011)	Employee Benefits[2]
HKAS 27 (as revised in 2011)	Separate Financial Statements[2]
HKAS 28 (as revised in 2011)	Investments in Associates and Joint Ventures[2]
Amendments to HKAS 32	Offsetting Financial Assets and Financial Liabilities[6]
HK(IFRIC) – Int 20	Stripping Costs in the Production Phase of a Surface Mine[2]

1 Effective for annual periods beginning on or after 1 July 2011.
2 Effective for annual periods beginning on or after 1 January 2013.
3 Effective for annual periods beginning on or after 1 January 2015.
4 Effective for annual periods beginning on or after 1 January 2012.
5 Effective for annual periods beginning on or after 1 July 2012.
6 Effective for annual periods beginning on or after 1 January 2014.

The Group is in the process of making an assessment of what the impact of these new and revised HKFRSs is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's results of operations and financial position.

FINANCIAL SUMMARY

For the year ended 31 December 2011

The financial results of the Group for the financial years 2008 to 2011 and the assets and liabilities of the Group as at 31 December 2008, 2009, 2010 and 2011 are as follows:

	Year ended 31 December			
	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Results				
Turnover	129,245	128,948	133,220	**145,593**
Profit before taxation	7,464	10,994	8,641	**4,003**
Taxation	(1,551)	(883)	(531)	**(736)**
Profit attributable to owners of the Company	5,913	10,111	8,110	**3,267**

	As at 31 December			
	2008 HK$'000	2009 HK$'000	2010 HK$'000	**2011** **HK$'000**
Assets and liabilities				
Total assets	47,892	37,845	68,186	**69,507**
Total liabilities	(34,272)	(29,114)	(24,611)	**(22,665)**
Total equity	13,620	8,731	43,575	**46,842**

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.

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%