

2012

FIRST QUARTERLY REPORT

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BRILLIANCE WORLDWIDE HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Code : 8312

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

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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.brillianceww.com.

FIRST QUARTERLY RESULTS (UNAUDITED)

The board of Directors (the “Board”) is pleased to present the unaudited condensed consolidated results of the Group for the three months ended 31 March 2012 together with the comparative unaudited figures for the corresponding period in 2011, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2012

	Note	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
TURNOVER	3	23,940	34,261
Cost of sales		(21,909)	(30,025)
GROSS PROFIT		2,031	4,236
Other revenue and other net income		27	70
Selling and distribution expenses		(846)	(1,651)
Administrative and other operating expenses		(2,680)	(1,449)
(LOSS)/PROFIT FROM OPERATIONS		(1,468)	1,206
Finance costs		(236)	(61)
(LOSS)/PROFIT BEFORE TAXATION		(1,704)	1,145
Income tax	4	–	(95)
(LOSS)/PROFIT AND TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(1,704)	1,050
(Loss)/earnings per share			
Basic and diluted (HK\$)	6	(0.002)	0.002

NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2011

1. CORPORATE INFORMATION

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

2. BASIS OF PREPARATION

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

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

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

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

The accounting policies adopted in preparing the unaudited condensed consolidated first quarterly financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2011.

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

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

3. TURNOVER AND SEGMENT INFORMATION

The principal activity of the Group is garment manufacturing. Turnover represents sales of goods. The amount of each significant category of revenue recognised in turnover for the three months ended 31 March 2011 and 2012 is as follows:

Geographical information

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

The Group comprises the following main geographical segments:

	For the three months ended 31 March	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Sweden	11,264	21,759
U.K.	5,055	3,577
Spain	342	1,512
Germany	2,869	3,446
Hong Kong	1,649	3,967
Italy	2,488	–
Others	273	–
Total turnover	23,940	34,261

Information about products

	For the three months ended 31 March	
	2012 HK\$'000 (unaudited)	2011 HK\$'000 (unaudited)
Innerwear	12,700	13,159
Casual wear	7,161	19,061
Baby and children wear	4,079	2,041
Total turnover	23,940	34,261

4. INCOME TAX

No assessable profits for the period ended 31 March 2012. The provision for Hong Kong Profits Tax for 2011 was calculated at 16.5% of estimated assessable profits for the period.

No provision for profits tax in the Cayman Islands and British Virgin Islands has been made as the Group has no assessable profits for the period in these jurisdictions (2011: Nil).

5. DIVIDEND

The Directors do not recommend payment of dividends for the three months ended 31 March 2012 (three months ended 31 March 2011: Nil).

6. (LOSS)/EARNINGS PER SHARE*(a) Basic earnings per share*

The calculation of basic (loss)/earnings per share is based on the loss for the period attributable to owners of the Company of approximately HK\$1,704,000 (profit for the period for the three months ended 31 March 2011: HK\$1,050,000) and the weighted average of 692,000,000 shares (three months ended 31 March 2011: 614,732,000 shares after adjusting for the capitalization issue in 2010) in issue during the three months period.

(b) Diluted earnings per share

Diluted earnings per share is equal to basic earnings per share as there were no dilutive potential ordinary shares outstanding for the three months period ended 31 March 2012 and 2011.

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The Group is an apparel manufacturer and exporter manufacturing and distributing a wide range of apparel products. During the period, the Group's revenues contributed from innerwear, casual wear and baby and children wear for three months ended 31 March 2012 are HK\$ 12.7 million, HK\$ 7.2 million and HK\$4.0 million (2011: HK\$13.1 million, HK\$19.1 million and HK\$2.0 million) respectively.

Financial Review

The turnover of the Group for the three months ended 31 March 2012 was approximately HK\$23.9 million, representing a decrease of 30.1 % from the same period last year. Cost of sales of the Group decreased by approximately 27.0% from approximately HK\$30.0 million for the three months ended 31 March 2011 to approximately HK\$21.9 million for the three months ended 31 March 2012. The decrease in cost of sales was mainly due to the decrease in sales order during the period. The gross profit has dropped to HK\$2.0 million, representing a decrease of 52.1 % from the same period last year.

The financial turmoil in Europe and the unstable worldwide economic environment have continuously affecting the Group's turnover and profitability during the three months ended 31 March 2012. 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 12.4 % to 8.5 %.

Outlook

In the first quarter of 2012, the overall exports of Guangdong Province have a double digit fall and our Group has also suffered from a 30% drop in turnover. Closure of factories in the area is obvious. The economic environment of Europe has not shown any improvements if not worsen. Except for the customer in UK which has reflected an increase in sales turnover owing to, probably, the additional money supply effect, most of our major customers have reduced their purchases in China turning to purchases in other South East Asia countries, where cheaper products are manufactured. In the past year, through the testing orders to the South East Asia countries, our customers seem to have developed confidence over their products and switching a major part of their orders to those countries during the period. Worse still, with the current de-valuation of Euro, we do not hold any optimistic view in raising prices from their purchases.

In line with the appreciation of Renminbi, labor and the raw materials costs have shown an upward trend. The manufacturing business in the area has entered into another period of getting rid of the weak player while retaining those strong player in the market.

The Group has strategically turned to those relatively strong customers in other European countries and hopefully to develop a diversified stronger customer base through this critical period. Bearing in mind of the risk, we will accept bank's bills payment as the prerequisite terms for accepting new customers' orders. On the other hand, we start to accept other relatively difficult pattern's orders aiming to diversify of our products which may have difficulties in manufacturing by other South East Asia countries. Further, we have started to cut labors in order to reduce operation costs and has incurred short-term additional compensation costs.

To keep in line with our predetermined strategy, we will speed up the sales in China. Sales in supermarket have started. We will increase the promotion activities and we set our target that China sales will be one of the main sources of income of the Group in coming future. Although competition in this sector is keen, with our experience of manufacturing and our quality production, we are confidence in the prospect of China sales.

Contingent Liabilities

As at 31 March 2012, the Group did not have any significant contingent liabilities.

Significant Investments

As at 31 March 2012, the Group did not have any significant investment plans.

Future Plans for Material Investments or Capital Assets

There was no specific plan for material investments or capital assets as at 31 March 2012.

Material Acquisitions or Disposals

During the three months ended 31 March 2012, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

Charges on assets

At 31 March 2012, the banking facilities of the Group are secured by the bank deposits and leasehold land and building of the Company.

CORPORATE GOVERNANCE REPORT

The Company endeavors in maintaining high standard of corporate governance for the enhancement of shareholders' value and provide transparency, accountability and independence. The Company has complied with the required code provisions set out in the Code on Corporate Governance Practices (the "Code") contained in Appendix 15 of the Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") during the three months ended 31 March 2012.

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

During the period, 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 three months ended 31 March 2012, he or she had fully complied with the required standard of dealings and there was no event of non-compliance.

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

As at 31 March 2012, 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	Capital and nature of interest	Number of shares	Percentage of the Company's issued share capital
Mr. Ko Yuk Tong	1	Interest of controlled corporation	519,000,000 (L)	75%
Mr. Ko Chun Hay, Kelvin	2	Interest of controlled corporation	519,000,000 (L)	75%
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 three months ended 31 March 2012, there were no debt securities issued by the Group and the Company at any time.

As at 31 March 2012, none of the Directors or chief executive of the Company or their respective associates had registered any other interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or to be recorded pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules.

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

For the three months ended 31 March 2012, 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	Capital and nature of interest	Number of shares	Percentage of the Company's issued share capital
Magic Ahead Investments Limited (<i>Note</i>)	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 March 2012.

For the three months ended 31 March 2012, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 31 March 2012, 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.

Contract of significance

At 31 March 2012, there is no contract of significance between the Company or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries.

Competing Interest

For the three months ended 31 March 2012, 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.

Share Option Scheme

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 commencing from 3 November 2010.

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 exercised by the grantees.

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 March 2012.

The Company and Tanrich Capital have mutually agreed to terminate the compliance adviser's agreement with effect from 1 April 2012 due to cost consideration. The Company has appointed TC Capital Asia Limited to replace Tanrich Capital as the compliance adviser to the Company as required pursuant to Rules 6A.19 and 6A.27 of the GEM Listing Rules.

Pursuant to the agreement dated 16 November 2010 entered into between Tanrich Capital and the Company, Tanrich Capital received fees for acting as the Company's compliance adviser. TC Capital will receive fee for acting as the Company's compliance adviser with effect from 1 April 2012.

Purchase, Sale or Redemption of Listed Securities

During the period under review, neither the Company nor any of its subsidiaries has purchased, redeemed or sold any of the Company's shares during the three months ended 31 March 2012.

Audit Committee

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

The audit committee has reviewed the financial statements of the Group for the three-month period ended 31 March 2012 pursuant to the relevant provisions contained in the Code on Corporate Governance Practices as set out in Appendix 15 of the GEM Listing Rules and was of the opinion that the preparation of such statements complied with applicable accounting standards and that adequate disclosure has been made in respect thereof.

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

Hong Kong, 15 May 2012

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