



BRILLIANCE WORLDWIDE HOLDINGS LIMITED

First Quarterly Report 2013

(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”)

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

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

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

This report, for which the directors (the “Directors”) of Brilliance Worldwide Holdings Limited (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, (i) the information contained in this report is accurate and complete in all material respects and not misleading or deceptive; and (ii) 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 (the “Group”) for the three months ended 31 March 2013 together with the comparative unaudited figures for the corresponding period in 2012, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 31 March 2013

	Note	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
TURNOVER	3	18,848	23,940
Cost of sales		(17,231)	(21,909)
GROSS PROFIT		1,617	2,031
Other revenue and other net income		13	27
Selling and distribution expenses		(491)	(846)
Administrative and other operating expenses		(3,079)	(2,680)
LOSS FROM OPERATIONS		(1,940)	(1,468)
Finance costs		(106)	(236)
LOSS BEFORE TAXATION		(2,046)	(1,704)
Income tax	4	-	-
LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(2,046)	(1,704)
Other comprehensive income			
Exchange differences arising on translation of foreign operations, with no income tax effects		26	-
LOSS AND TOTAL COMPREHENSIVE EXPENSES FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY		(2,020)	(1,704)
Loss per share			
Basic and diluted (HK\$)	6	(0.003)	(0.002)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENT

For the three months ended 31 March 2013

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, 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.

The Company is an investment holding company. The Company’s subsidiaries are principally engaged in garment manufacturing.

2. BASIS OF PREPARATION

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

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

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

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

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements were consistent with those applied for the financial statements of the Group for the year ended 31 December 2012.

These unaudited condensed consolidated 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

Segment revenue, results

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 and results are presented.

Geographical information

The Group's operations are located in Hong Kong.

The Group's turnover from external customers by geographical location of the assets is detailed below:

	For the three months ended 31 March	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Sweden	6,492	11,264
U.K.	8,316	5,055
Spain	109	342
Germany	–	2,869
Hong Kong	2,974	1,649
Italy	–	2,488
Others	957	273
Total turnover	18,848	23,940

Information about products

	For the three months ended 31 March	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Innerwear	12,407	12,700
Casual wear	4,596	7,161
Baby and children wear	1,845	4,079
Total turnover	18,848	23,940

Information about major customers

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

	For the three months ended 31 March	
	2013 HK\$'000 (unaudited)	2012 HK\$'000 (unaudited)
Customer A	5,481	9,671
Customer B	7,461	4,477
Customer C	–	2,869
Customer D	–	2,489
Total turnover	12,942	19,506

4. INCOME TAX

No assessable profits for the period ended 31 March 2012 and 2013.

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 (2012: Nil).

5. DIVIDEND

The Directors do not recommend payment of any dividend for the three months ended 31 March 2013 (2012: Nil).

6. LOSS PER SHARE

(a) Basic loss per share

The calculation of basic loss per share is based on the loss for the period attributable to owners of the Company of approximately HK\$2,046,000 (2012: HK\$1,704,000) and the weighted average of 692,000,000 shares in issue for the period ended 31 March 2012 and 2013.

(b) Diluted loss per share

No adjustment has been made to the basic loss per share amount presented for the period ended 31 March 2012 and 2013 in respect of a dilution as the share options granted under the share option scheme outstanding has an anti-dilutive effect on the basic loss per share amount presented.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The Group's turnover contributed from innerwear, casual wear and baby and children wear for the three months ended 31 March 2013 were HK\$12.4 million, HK\$4.6 million and HK\$1.8 million (2012: HK\$12.7 million, HK\$7.2 million and HK\$4.0 million) respectively.

The product mix of the Group reflects that the portion of sales of casual wear to the total sales has dropped from 29.9% to 24.4%. Due to the significant drop of sales in casual wear, the portion of sales of innerwear has increased from 53.0% to 65.8%. The portion of sales of baby and children wear has also dropped from 17.0% to 9.8%. The innerwear products of the Group remain as the main products of the Group.

FINANCIAL REVIEW

The turnover of the Group for the three months ended 31 March 2013 was approximately HK\$18.8 million, representing a decrease of 21.3% from the same period last year. Cost of sales of the Group decreased by approximately 21.4% from approximately HK\$21.9 million for the three months ended 31 March 2012 to approximately HK\$17.2 million the three months ended 31 March 2013. The decrease in cost of sales was mainly due to the decrease in sales order during the period. The gross profit has decreased by HK\$414,000, representing a decrease of 20.4% from the same period last year.

The effect of Euro bond crisis is still strong affecting the purchasing power of the European importers, our major customers. Most of them shift their purchases to cheaper supplied South East Asia countries and sales to our major customers have reflected a significant drop. During the period, some of our major customers, Orsay, which has over 4 years' relationship with us, and another customer, Unitessile which has over 2 years' relationship with us, have terminated purchases with us. Another significant customer which has over 8 years' relationship with us, are going to terminate it's business in the second quarter of the year.

On the other hand, cost of operation has not been reduced due to the high labor costs with increasing social insurance and protection, high raw material costs and the strong currency of Renminbi.

Growth of sales in China is still slow while we are testing the consumer market. Sales turnover is minimal and mild loss appears in its initial operation.

LIQUIDITY AND FINANCIAL POSITION

At 31 March 2013, cash and bank balances of the Group amounted to approximately HK\$14.5 million (At 31 December 2012: HK\$14.4 million). The current ratio (current asset divided by current liabilities) of the Group was 2.6 times and 3.6 times as at 31 December 2012 and 31 March 2013, respectively. In view of the Group's current level of cash and bank balances, funds generated internally from our operations and the banking facilities available, the Board is confident that the Group will have sufficient resources to meet its finance needs for its operations.

CAPITAL MANAGEMENT

The Group's objectives when managing capital are to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The management reviews the capital structure by considering the cost of capital and the risks associated with each class of capital. In view of this, the company will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt as it sees fit and appropriate.

The 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.

OUTLOOK

During the period, the Group continued facing with the difficult environment with lose of our main customers. Some of our customers terminated their buying office in Hong Kong or Guangdong Province instead of creating office in North West of China. Some of them shift their purchases to other South East Asia countries like Vietnam, Cambodia, India, Malaysia etc. for cheaper products, or even terminated the apparel business because of its local poor business.

The directors hold a prudence view in apparel manufacturing business in China and are patiently waiting for the recovery of Euro bond crisis. We trust that apparel products are daily necessities to people and "made in China" apparel products have its market reputation. Although the worst situation may not be passed, we will focus on its quality products supply while maintaining a stable business, without considering to achieve a high level of turnover for the Group. As such, some procedures of laying-off of staff will be unavoidable. Cutting costs of operation will be the main theme of the Group in the coming days.

In consideration to the appreciation of Renminbi in the past years and remaining strong during the period, labor and raw material costs have shown an upward trend. Manufacturers in China are facing difficulties in reducing costs or reducing selling price to customers. Closure of small apparel and apparel-related manufacturers are noted in Huizhou because of the harsh environment. One of our major suppliers is considering to terminate business in the coming days.

In future, the Group will focus on its sales in China. With the encouragement of the PRC government and improvement of living standards in China, we are confident that consumer market in the PRC will continue booming in the coming years, a medium to high standard of innerwear and other apparel products of the Group are catered for the demand of the market. Supermarket sales have been started although the turnover is far from satisfaction. We are now discussing other sales channels including but not limit to internet sales and wholesale distribution aiming to popularize our brand name within a short period of time. We are also in discussion with a local Chinese brand name for acquisition and or co-operation plan.

CORPORATE GOVERNANCE REPORT

The Company has complied with all the code provisions set out in the Code on Corporate Governance Practices (the “Code”) contained in Appendix 15 of the Rules Governing the Listing 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 2013.

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 2013, 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 2013, 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%
Ms. Liu Lai Kuen	3	Interest of controlled corporation	519,000,000 (L)	75%

Notes:

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

During the three months ended 31 March 2013, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 31 March 2013, 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

At 31 March 2013, 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 (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 March 2013.

For the three months ended 31 March 2013, there were no debt securities issued by the Group and the Company at any time.

Save as disclosed above, as at 31 March 2013, 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 2013, 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 2013, 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, a total of 13,800,000 options, have been granted to 2 executive Directors at an exercise price of HK\$0.087 per Share. On 8 February 2013, as approved by the Board, a total of 13,800,000 options, have been granted to 2 executive Directors at an exercise price of HK\$0.091 per Share. As at 31 March 2013, a total of 27,600,000 Shares, representing 3.99% 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 27,600,000 Options have not yet been exercised by the Participants.

INTERESTS OF THE COMPLIANCE ADVISERS

As notified by TC Capital Asia Limited ("TC Capital"), the Company's compliance adviser, neither TC 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 2013.

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 2013.

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 months ended 31 March 2013 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 2013

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