BRILLIANT CIRCLE HOLDINGS INTERNATIONAL LIMITED
貴聯控股國際有限公司
(incorporated in the Cayman Islands with limited liability)
(Stock Code: 1008)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2017

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK$1,265.5 million (2016: HK$1,407.2 million), a drop of 10.1%, which was caused by the drop in average selling price brought by mandatory tendering system in the tobacco industry in China and the decline of sub-contract work from Eastern Chinese customers.
- Profit for the year attributable to the owners of the Company was approximately HK$138 million (2016: HK$286 million), with a decrease of approximately 51.7%, or 37.7% excluding the effect of impairment of goodwill of HK$40 million (2016: Nil).
- Earnings per share (basic and diluted) for the year was HK9 cents (2016: HK18 cents).
- No final dividend was proposed for the year ended 31 December 2017 (2016: HK15.3 cents).

The board (the "Board") of directors (the "Directors") of Brilliant Circle Holdings International Limited (the "Company") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2017 together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2017

	NOTES	**2017** *HK$'000*	2016 *HK$'000*
Continuing operations			
Revenue	*3&4*	**1,265,515**	1,407,209
Cost of sales		**(956,917)**	(997,308)
Gross profit		**308,598**	409,901
Other income	*5*	**35,486**	25,863
Other gains and losses	*6*	**(45,213)**	(180)
Selling and distribution expenses		**(43,022)**	(43,338)
Administrative expenses		**(79,988)**	(91,955)
Other expenses		**(8,103)**	(4,216)
Finance costs	*7*	**(21,988)**	(25,567)
Share of profits of associates		**47,334**	86,429
Share of (loss) profit of a joint venture		**(274)**	57
Profit before taxation		**192,830**	356,994
Taxation	*8*	**(50,023)**	(69,760)
Profit for the year	*10*	**142,807**	287,234
Other comprehensive income (expense):			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**195,918**	(149,601)
Total comprehensive income for the year		**338,725**	137,633

	NOTE	2017	2016
	NOTE	***HK$'000***	*HK$'000*
Profit for the year attributable to:			
Owners of the Company		**138,025**	285,827
Non-controlling interests		**4,782**	1,407
		142,807	287,234
Total comprehensive income (expense) attributable to:			
Owners of the Company		**329,959**	138,394
Non-controlling interests		**8,766**	(761)
		338,725	137,633
		2017	2016
		HK$	*HK$*
Earnings per share	*12*		
Basic and diluted		**0.09**	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2017

	NOTES	**2017** **HK$'000**	2016 *HK$'000*
Non-current Assets			
Property, plant and equipment		**729,865**	768,048
Prepaid lease payments		**82,095**	78,217
Investment properties		**57,136**	172,070
Goodwill		**1,044,293**	1,029,637
Intangible assets		**193,875**	232,767
Interests in associates		**535,072**	551,899
Interest in a joint venture		**8,586**	8,222
Deposits for property, plant and equipment		**8,675**	1,732
		2,659,597	2,842,592
Current Assets			
Inventories		**167,892**	136,733
Prepaid lease payments		**2,292**	2,124
Trade and bills receivables	*13*	**787,329**	879,629
Other receivables, prepayments and deposits		**56,562**	68,551
Amounts due from related parties		**18,785**	19,042
Tax recoverable		**3,267**	3,028
Structured deposits		**7,193**	–
Pledged bank deposits		**5,455**	6,731
Bank balances and cash		**292,511**	199,694
		1,341,286	1,315,532
Assets classified as held for sale	*9*	**197,623**	–
		1,538,909	1,315,532

	NOTES	2017 HK$'000	2016 HK$'000
Current Liabilities			
Trade and bills payables	*14*	**265,364**	313,160
Other payables and accruals		**115,539**	130,071
Purchase consideration payable for acquisition		**11,103**	–
Amounts due to non-controlling interests of subsidiaries		**4,983**	3,775
Bank borrowings		**621,916**	419,562
Income tax payable		**41,483**	52,418
		1,060,388	918,986
Liabilities associated with assets classified as held for sale	*9*	**39**	–
		1,060,427	918,986
Net Current Assets		**478,482**	396,546
Total Assets less Current Liabilities		**3,138,079**	3,239,138
Non-current Liabilities			
Government grants		**34,441**	34,396
Bank borrowings		**56,250**	258,248
Deferred tax liabilities		**55,133**	71,334
Purchase consideration payable for acquisition		**11,745**	–
		157,569	363,978
Net assets		**2,980,510**	2,875,160
Capital and Reserves			
Share capital		**7,839**	7,839
Share premium and reserves		**2,909,793**	2,821,129
Equity attributable to owners of the Company		**2,917,632**	2,828,968
Non-controlling interests		**62,878**	46,192
Total Equity		**2,980,510**	2,875,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2017

1. GENERAL

The Company was incorporated in the Cayman Islands on 11 November 2008 as an exempted company with limited liability and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate controlling party is Mr. Cai Xiao Ming, David. The address of the registered office of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands and its principal place of business is Room 1201, 12/F, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong.

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (collectively referred to as the "Group") are engaged in provision of the printing of cigarette package, manufacturing of laminated papers, manufacturing and sales of radio frequency identification ("RFID") products, printing of packages and decoration matters, research and development on printing technology, wholesale, import and export of the packaging products and other related services.

The consolidated financial statements are presented in Hong Kong dollars ("HK$") and the Company's functional currency is Renminbi ("RMB") that mainly influences the operation of the Group's significant entities.

2. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair value at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are within the scope of HKAS 17 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

3. REVENUE

Revenue represents revenue arising on sale of cigarette packages, manufacturing of laminated papers and sales of RFID products for the year. An analysis of the Group's revenue for the year is as follows:

	2017	2016
	HK$'000	*HK$'000*
Printing of cigarette packages	**1,189,744**	1,365,801
Manufacturing of laminated papers	**42,849**	41,408
Sales of RFID products	**32,922**	–
	1,265,515	1,407,209

4. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker ("CODM"), for the purposes of resource allocation and assessment of segment performance focuses on types of goods delivered or services provided. No operating segments identified by the CODM have been aggregated in arriving at the reportable segments of the Group.

The Group's operating and reportable segments currently are (i) printing of cigarette packages and (ii) manufacturing of laminated papers and (iii) sales of RFID products. The CODM considered the Group has three (2016: two) operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable and operating segment.

For the year ended 31 December 2017

	Printing of cigarette packages *HK$'000*	**Manufacturing of laminated papers** *HK$'000*	**Sales of RFID products** *HK$'000*	**Total** *HK$'000*
Segment revenue	**1,189,744**	**42,849**	**32,922**	**1,265,515**
Segment profit	**294,258**	**10,416**	**6,151**	**310,825**
Unallocated — other income and other gains and losses				**(9,727)**
Unallocated expenses				**(133,340)**
Finance costs				**(21,988)**
Share of profits of associates				**47,334**
Share of loss of a joint venture				**(274)**
Profit before taxation				**192,830**

For the year ended 31 December 2016

	Printing of cigarette packages *HK$'000*	Manufacturing of laminated papers *HK$'000*	Sales of RFID products *HK$'000*	Total *HK$'000*
Segment revenue	1,365,801	41,408	–	1,407,209
Segment profit	400,899	10,913	–	411,812
Unallocated — other income and other gains and losses				25,683
Unallocated expenses				(141,420)
Finance costs				(25,567)
Share of profits of associates				86,429
Share of profit of a joint venture				57
Profit before taxation				356,994

The accounting policies of the operating segments are the same as the Group's accounting policies described in note 2.

Segment profit represents the profit earned by each segment without allocation of corporate management expenses, directors' emoluments, share of profits of associates, share of loss/profit of a joint venture, finance costs, taxation, unallocated income, other gains and losses, amortisation of intangible assets and expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

All of the segment revenue reported above is from external customers.

5. OTHER INCOME

	2017	2016
	HK$'000	*HK$'000*
Interest on bank deposits	**1,321**	2,043
Sales of scrap materials	**3,385**	3,066
Processing fee income	**2,848**	502
Rental income	**5,283**	1,303
Government grants *(Note)*	**20,616**	16,388
Interest income on long-term receivables	**1,290**	1,038
Sundry income	**743**	1,523
	35,486	25,863

Note: Government grants were received from the government of the PRC mainly as incentives granted by local authority for encouragement of business development and innovation except for an amount of HK$2,577,000 (2016: HK$1,686,000) which was granted for the acquisition of property, plant and equipment. These grants are accounted for as financial support with no future related costs expected to be incurred nor related to any assets.

6. OTHER GAINS AND LOSSES

	2017	2016
	HK$'000	*HK$'000*
Net foreign exchange (losses) gains	**(6,433)**	550
Net gain on structured deposits	**2,008**	–
Impairment losses on other receivables	**(930)**	–
Gains (losses) on disposal of property, plant and equipment	**142**	(730)
Impairment losses on goodwill	**(40,000)**	–
	(45,213)	(180)

7. FINANCE COSTS

	2017	2016
	HK$'000	*HK$'000*
Interest on bank loans	**21,988**	25,567

8. TAXATION

	2017	2016
	HK$'000	*HK$'000*
Current tax:		
The People's Republic of China (the "PRC")		
Enterprise Income Tax ("EIT")	**42,055**	60,615
Withholding tax	**29,450**	14,824
	71,505	75,439
Overprovision of EIT in prior year	**(3,019)**	(1,676)
Deferred tax:		
Current year	**(18,463)**	(4,003)
	50,023	69,760

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The PRC EIT is calculated at the applicable prevailing tax rates from 15% to 25% (2016: 15% to 25%) in the PRC. Pursuant to the "Enterprise Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises", some PRC subsidiaries, being a High-Tech Enterprise, were entitled to a reduced EIT rate of 15% for the years from 2013 to 2018.

Upon the New Tax Law and Implementation Regulations, PRC withholding income tax is applicable to dividends payable to investors that are "non-PRC tax resident enterprises", which do not have an establishment or place of business in the PRC, or which have such establishment or place of business but the relevant income is not effectively connected with the establishment or place of business, to the extent such dividends have their sources within the PRC. Under such circumstances, dividends distributed from the PRC subsidiaries to non-PRC tax resident group entities shall be subject to the withholding income tax at 10% or lower tax rate, as applicable. Under the relevant tax treaty, withholding tax rate on distribution to Hong Kong resident companies is 5%. Deferred taxation has been provided on undistributed earnings of all subsidiaries and associates and a joint venture.

The tax charge for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2017	2016
	HK$'000	*HK$'000*
Profit before taxation	**192,830**	356,994
Tax at the applicable rate of 25% (2016: 25%) *(Note)*	**48,208**	89,249
Tax effect of share of profit of associates	**(11,833)**	(21,607)
Tax effect of share of profit of a joint venture	**–**	(14)
Tax effect of expenses not deductible for tax purpose	**32,771**	22,115
Tax effect of income not taxable for tax purpose	**–**	(473)
Overprovision in respect of prior years	**(3,019)**	(1,676)
Utilisation of tax losses previously not recognised	**(3,429)**	–
Additional tax benefit on research and development expenses	**(5,335)**	–
Tax effect of deductible temporary differences not recognised	**–**	59
Tax effect of tax losses not recognised	**–**	860
Income tax on concessionary rate	**(23,326)**	(35,054)
Deferred tax on undistributed earnings of PRC subsidiaries/associates	**15,986**	16,301
Tax charge for the year	**50,023**	69,760

Notes:

1. The applicable tax rate of 25% represents the applicable income tax rate of the subsidiaries in Shenzhen and Anhui in the PRC which constitute the substantial part of the Group's operation for the years ended 31 December 2017 and 2016.

2. Pursuant to the relevant tax rules and regulations, the Group could obtain additional tax benefit, which is a further 50% of certain qualified research and development cost incurred endorsed by the Shenzhen and Anhui Local Taxation Administrators.

9. DISPOSAL GROUP HELD FOR SALE

On 4 September 2017, the directors of the Company resolved to dispose of the subsidiaries of the Company, namely, Empire Sail Limited 帝航有限公司 ("Empire Sail") and Best Legend International Holdings Limited 駿佳國際集團控股有限公司 ("Best Legend"), which mainly hold some investment properties and premise of the Group. Negotiations with several interested parties have subsequently taken place. These assets and liabilities, which are expected to be sold within twelve months, have been classified as a disposal group held for sale and are presented separately in the consolidated statement of financial position (see below). The net proceeds of disposal are expected to exceed the net carrying amount of the relevant assets and liabilities and accordingly, no impairment loss has been recognised.

The major classes of assets and liabilities classified as held for sale are as follow:

	31 December 2017 *HK$'000*
Property, plant and equipment	**79,011**
Investment properties	**118,448**
Other receivables	**164**
Total assets classified as held for sale	**197,623**
Other payables	**39**
Total liabilities classified as held for sale	**39**

Note: The above amount is excluded of the amount due from the ultimate holding company amounting to approximately HK$285,000 and the amount due to a fellow subsidiary amounting to approximately HK$220,880,000.

10. PROFIT FOR THE YEAR

	2017 *HK$'000*	2016 *HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	**2,476**	2,658
Other staff costs		
Salaries and other benefits	**113,289**	106,083
Contributions to retirement benefits schemes	**11,044**	9,383
Total staff costs	**126,809**	118,124
Less: capitalised in inventories	**(105,472)**	(83,318)
	21,337	34,806
Auditor's remuneration	**3,457**	3,832
Cost of inventories recognised as expenses	**889,275**	942,848
Surcharges on overdue payments to governmental authorities and compensation expenses (included in other expenses)	**2,732**	–
Depreciation of property, plant and equipment	**82,578**	80,421
Depreciation of investment properties	**6,084**	4,873
Release of prepaid lease payments	**2,214**	2,097
Amortisation of intangible assets (included in cost of sales and administrative expenses)	**45,694**	45,694
Total depreciation and amortisation	**136,570**	133,085
Less: capitalised in inventories	**(116,797)**	(104,922)
	19,773	28,163

	2017	2016
	HK$'000	*HK$'000*
Operating lease rentals in respect of rented premises	**3,105**	2,560
Reversals of write-down on obsolete inventories (included in cost of sales)	**(988)**	(227)
Research and development costs recognised as an expense (included in other expenses)	**4,837**	4,216
Shares of taxation of associates	**11,150**	16,282
Gross rental income from investment properties	**(8,155)**	(1,480)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**2,872**	177
	(5,283)	(1,303)

11. DIVIDENDS

	2017	2016
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2015 special dividend	**–**	239,886
2016 final – HK15.30 cents per share	**239,886**	–
	239,886	239,886

During the current year, the final dividend of HK15.30 cents in respect of the year ended 31 December 2016 (2016: Nil) per share, amounting approximately HK$239,886,000 (2016: Nil) has been paid to shareholders.

No dividend was proposed for ordinary shareholders of the Company during 2017, nor has any dividend been proposed since the end of the reporting period (2016: HK$239,886,000).

12. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on the following data:

	2017	2016
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**138,025**	285,827

	2017	2016
	'000	*'000*
Number of shares:		
Weighted average number of ordinary shares for the purpose of basic earnings per share	**1,567,885**	1,567,885

No dilutive earnings per share is presented as the Group did not have any potential ordinary shares during both years.

13. TRADE AND BILLS RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**741,225**	840,021
Less: allowance for doubtful debts	**–**	(2,213)
	741,225	837,808
Bills receivables	**46,104**	41,821
	787,329	879,629

The Group allows a credit period of 90 days to its trade customers. The following is an aged analysis of trade and bills receivables net of allowance for doubtful debts presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates.

	2017	2016
	HK$'000	*HK$'000*
0–90 days	**678,558**	764,200
91–180 days	**38,776**	73,792
181–365 days	**20,888**	12,198
Over 365 days	**49,107**	29,439
	787,329	879,629

Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by each customer. Limits attributed to customers are reviewed once a year. The trade and bills receivables that are neither past due nor impaired have the best credit quality assessed by the Group.

Included in the Group's trade and bills receivables balance are debtors with aggregate carrying amount of HK$108,771,000 (2016: HK$115,429,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The Group does not hold any collateral over these balances.

Ageing of trade receivables which are past due but not impaired

	2017	2016
	HK$'000	*HK$'000*
91–180 days	**38,776**	73,792
181–365 days	**20,888**	12,198
Over 365 days	**49,107**	29,439
Total	**108,771**	115,429

Movement in the allowance for doubtful debts

	2017	2016
	HK$'000	*HK$'000*
1 January	**2,213**	2,342
Amounts written off as uncollectible	**(2,297)**	–
Exchange difference	**84**	(129)
31 December	**–**	2,213

Included in the allowance for doubtful debts are individually impaired trade receivables with an aggregate balance of HK$2,213,000 as at 31 December 2016 of which the debtors were in financial difficulties and were written off in the current year.

14. TRADE AND BILLS PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**261,156**	307,583
Bills payables	**4,208**	5,577
	265,364	313,160

The following is an aged analysis of trade and bills payables presented based on the invoice date at the end of the reporting period.

	2017	2016
	HK$'000	*HK$'000*
0–30 days	**175,398**	188,195
31–90 days	**73,409**	113,295
91–180 days	**12,654**	8,844
181–365 days	**3,570**	2,577
Over 365 days	**333**	249
	265,364	313,160

The credit period on purchases of goods ranges from 30 days to 180 days. The Group monitors and maintains a level of cash and cash equivalents sufficient to ensure that all payables are within the credit timeframe.

15. CONTINGENT LIABILITIES

During the current year, the Group has received a Notice of Arbitration from Shenzhen Court of International Arbitration that Shenzhen Court of International Arbitration has accepted the application (the "Application") for arbitration filed by an ex-staff of a subsidiary of the Company (the "Claimant"). According to the Application, the Claimant requests for the payment of: (i) a fund raising reward of about HK$108.9 million and the related overdue interest since April 2008; (ii) a service fee of RMB2.0 million (equivalent to approximately HK$2,305,000) and the related overdue interest since July 2007; (iii) legal fees incurred of about HK$47.0 million and RMB0.9 million (equivalent to approximately HK$1,037,000); and (iv) arbitration fee, in connection with an appointment contract and another agreement entered into between, among other party, a subsidiary of the Company and the Claimant in April 2005.

The directors of the Company consider that all allegations in the Application are unfounded and without merits. In this regard, the Group is seeking legal advice in response to the Application and will categorically defend and challenge all the claims by the Claimant during the judicial process. In the opinion of the directors of the Company, it is not probable that the Group has an obligation to settle the claims based on the legal advice and no provision is considered to be recognised to the consolidated financial statements accordingly.

16. EVENTS AFTER THE REPORTING PERIOD

On 11 January 2018, the Group entered into a provisional sale and purchase agreement ("Agreement") with an independent third party, Lion Capital Investment Limited, to dispose of, among other matters, the entire issued share capital of Empire Sail (together with its subsidiary collectively referred as "Target Group") at the cash consideration of HK$295,000,000, which will result in a gain on disposal of approximately HK$93,900,000. The principal assets of the Target Group are the property, plant and equipment and investment property, which are disclosed in note 9.

The transaction shall be completed on 30 April 2018 subject to fulfilment of the pre-set conditions in accordance with the Agreement.

Details of the transaction was set out in the announcement of the Company dated 11 January 2018.

BUSINESS REVIEW

For the year ended 31 December 2017, the Company achieved revenue of approximately HK$1,265.5 million with profit attributable to owners amounting to approximately HK$138.0 million and basic earnings per share of approximately HK9 cents.

Although China's gross domestic products growth for the year of 2017 picked up to 6.9 percent, the demand for certain brands remain unsatisfactory. The effect of customer destocking created hurdles for the growth of the Company. During the year, the Company strived to diversify its revenue stream by acquiring a company engaged in the business of Internet-Of-Things ("IOT") and developing smart packaging to cater for increasingly competitive environment of traditional packaging industry.

Printing of Cigarette Package

Due to the increasing competitive business environment, the core business of the Group showed a decrease in revenue primarily due to decline in average selling price brought by mandatory tendering system in the tobacco industry in China and the decline of sub-contract work from Eastern Chinese customers.

Cigarette companies continue to destock to further reduce the inventory as compared to the year of 2016. As a result of inventory control, the sales volume of the Group experienced a mild decrease. The expansion of top tier products is offset by the effect of decline in average selling price of all product tiers and the sluggish market of mid-low tiers products. The Group continued to deepen intensive cost saving measures across production and overheads to moderate the unfavourable price pressure as a result of intensified tendering.

Manufacturing of Laminated Papers

Due to rise in cost of raw materials, segment profit of laminated paper decreased by 4.6%.

Sales of RFID products

During the year, the Group has made a strategic move on acquiring an IOT company which contributed segment profit of HK$6.2 million to the Group during the year. The newly acquired subsidiary will not only diversify the Group revenue stream, but also play an important role in spearheading the Group's smart packaging development. The Group believes there are rooms for improvement for traditional packaging and each package would serve active functions beyond the inert passive containment with the emerging technology.

Revenue

During the year, the revenue of the Group was approximately HK$1,265.5 million (2016: HK$1,407.2 million), which represents a decrease of approximately HK$141.7 million or 10.1% as compared with 2016. The revenues of our business segments from: (1) printing of cigarette package decreased by 12.9% to HK$1,189.7 million, (2) manufacturing of laminated papers increased by 3.4% to HK$42.8 million, and (3) newly acquired business engaging in sales of RFID products recorded HK$32.9 million.

The decrease in revenue mainly resulted from the drop in average selling price across various products tiers as a consequence of intensified mandatory tendering system in the tobacco industry in China. Despite the Eastern Chinese customers' destocking, the sales volume in other parts of China increase which result in only negligible drop in sales volume at Group level.

Gross Profit

During the year, gross profit of the Group decreased by approximately HK$101.3 million or 24.7% to HK$308.6 million as compared with 2016. The gross profit margin has decreased from 29.1% in 2016 to 24.4% in 2017. It was mainly due to (i) price pressure of intensifying tendering system; and (ii) significant decrease in the sub-contracting business of Eastern Chinese customers as a result of over-accumulation of inventory. Although the Group has spent tremendous effort in enhancing internal complementation by unifying resources and promoting its sharing among its production facilities in various provinces of China, the drop in average selling price of mid-tier cigarette packaging outweighs the cost saving in manufacturing process resulting in significant impact towards gross profit ratio.

Other income

Other income increased by HK$9.6 million as compared with 2016. The increase has primarily arisen from (i) increase in government grant of HK$4.2 million due to incentives granted by local authority for encouragement of its business development and innovation; and (ii) full utilisation of the factory premises by leasing the idle area resulting in increase in rental income by HK$4.0 million in 2017.

Other gains and losses

Other gains and losses was arisen primarily due to net foreign exchange losses as a result of depreciations of Hong Kong dollars and impairment on goodwill due to downward trend of cigarette package business.

Selling and distribution expenses

During the year, although decline in revenue resulted in reduced commission expenses, the effect was offset by the increase of entertainment expenses for maintaining market share.

Administrative expenses and other expenses

During the year, administrative expenses and other expenses decreased by approximately HK$8.1 million or 8.4% to HK$88.1 million primarily due to the decrease in staff costs of HK$9.4 million being offset by the surcharge on overdue payments to governmental authorities and compensation expenses amounting to HK$2.7 million.

Finance costs

Finance costs decreased by 14.0% to approximately HK$22.0 million. It was mainly due to refinancing with lower interest bearing bank borrowings during the year.

Share of profits of associates

Share of profits of associates decreased by approximately HK$39.1 million to HK$47.3 million during the year. The decrease in net profit of our associates was mainly due to absence of reversal of bad debt in 2016 and the decrease in average selling price of top-tier cigarette packaging demanded by its customers together with the effect of slight decline in sales volume in 2017.

Taxation

The effective tax rate of the Group increased from 19.5% to 25.9% in 2017. It was primarily due to increase in non-deductible expenses for tax purpose mainly associated with the impairment of goodwill.

Profit for the year attributable to Owners of the Company

Profit attributable to the owners of the Company decreased by 51.7% or by HK$147.8 million to HK$138.0 million, mainly because of (i) significant drop in sub-contracting income, (ii) decrease in share of profits of associates and (iii) the impairment of goodwill as described above.

Segment information

During the year, revenue were generated from three segments: (i) the printing of cigarette packages of approximately HK$1,189.7 million (2016: HK$1,365.8 million), (ii) manufacturing of laminated papers of approximately HK$42.8 million (2016: HK$41.4 million), and (iii) the new segment arising from acquisition during the year for the sales of RFID products of approximately HK$32.9 million respectively. The earnings from the printing of cigarette packages and manufacturing of laminated papers decreased by 26.6% to approximately HK$294.3 million (2016: HK$400.9 million) and 4.6% to approximately HK$10.4 million (2016: HK$10.9 million) respectively. Earnings from the printing of cigarette packages accounted for approximately 94.7% of the total segment earnings before unallocated items.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated resources and banking facilities. As at 31 December 2017, the Group had net current assets of HK$478.5 million (2016: HK$396.5 million), while the Group's cash and cash equivalents amounted to HK$292.5 million (2016: HK$199.7 million). As at 31 December 2017, the short-term interest-bearing bank borrowings of the Group amounted to HK$621.9 million (2016: HK$419.6 million). Carrying amounts of trade receivables, property, plant and equipment, investment properties, bank deposits and non-current assets classified as held for sale pledged for securing credit facilities amounted to approximately HK$451.5 million (2016: HK$574.6 million), HK$Nil (2016: HK$80.8 million), HK$Nil (2016: HK$121.3 million), HK$5.4 million (2016: HK$6.7 million) and HK$197.4 million (2016: HK$Nil) respectively. As at 31 December 2017, the Group's gearing ratio, represented by the amount of interest-bearing borrowings divided by shareholders equity, was reduced to 22.8% (as at 31 December 2016: 23.6%). As at 31 December 2017, the Group had capital commitments for purchase of property, plant and equipment which amounted to HK$4.5 million (2016: HK$7.9 million).

CONTINGENT LIABILITIES AND GUARANTEES

Save as disclosed in the note 15 of this announcement, the Group did not provide any guarantees to third party and had no material contingent liabilities as at 31 December 2017.

MATERIAL ACQUISITION AND DISPOSAL

On 16 May 2017, Right Tech (China) Limited, a wholly-owned subsidiary of the Company, as purchaser entered into a sale and purchase agreement (the "SPA") with an independent third party as vendor, in relation to the acquisition of 70% equity interest of Jiangsu HY Link Science & Technology Co., Limited 江蘇聯恒物宇科技有限公司 (the "Target Company") at the total cash consideration of RMB44,982,000 (equivalent to approximately HK$51,849,000) or RMB46,410,000 (equivalent to approximately HK$53,494,000) subject to the financial results of Target Company for the years end 31 December 2017 and 31 December 2018. Such acquisition did not constitute a notifiable transaction to the Company under the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

According to the 2017 audited results of Target Company, financial performance as required by the profit guarantee stated in the SPA was met during the year. The second installment of the consideration will be distributed by the end of March 2018.

On 11 January 2018, the Company, as the vendor, entered into a provisional sale and purchase agreement in relation to the disposal of the entire issued capital of, and the debts due by, Empire Sail Limited and its subsidiary (the "Target Group") at a cash consideration of HK$295,000,000, in which the principal asset of the Target Group is a commercial building property together with three car parking spaces, to Lion Capital Investment Limited, as the purchaser. The completion of the transaction shall take place on 30 April 2018. Details of the transaction can be referred to the announcement of the Company dated 11 January 2018.

Save as disclosed above or elsewhere in the announcement, there was no material acquisition or disposal of subsidiaries or associated companies by the Group during the year ended 31 December 2017.

TREASURY POLICIES

The Group adopted a prudent strategy towards the treasury and funding policies, with strong emphasis on risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in Renminbi and Hong Kong dollars, are normally placed with banks in short or medium term deposits for working capital of the Group.

CAPITAL STRUCTURE

The Group's operation was mainly financed by funds generated from its operations and borrowings. As at 31 December 2017, the borrowings were mainly denominated in Hong Kong dollars and Renminbi, while the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars and Renminbi. The Group's turnover is denominated in Renminbi, while its costs and expenses are mainly denominated in Hong Kong dollars and Renminbi. In view of the prevailing macro-economic environment and the volatile foreign exchange market, the Group is exposed to the foreign exchange rate risk. An exchange gain has arisen due to the translation of functional currency of Renminbi to presentation currency of Hong Kong dollar during the reporting period when Renminbi depreciated against Hong Kong dollar. However, such translation is a non-cash item in nature and has no practical effect to our daily operation as majority of our revenue and cost are all denominated in Renminbi. Foreign exchange loss was arisen due to Renminbi appreciated against Hong Kong dollar during the first half of the financial year. The hedging contracts were terminated in mid 2017. The Group will closely monitor the volatility of foreign exchange rate and apply the appropriate hedging strategy if necessary.

CHARGES ON THE GROUP'S ASSETS

As at 31 December 2017, assets with carrying amounts of approximately HK$654.4 million (31 December 2016: HK$783.4 million) were pledged to banks in respect of banking facilities granted to Group.

HUMAN RESOURCES

As at 31 December 2017, the Group had 18 (2016: 6) and 1,178 (2016: 1072) full-time staff based in Hong Kong and the PRC respectively. The Group's remuneration packages are generally structured with reference to market terms and individual merits. The Group participates in a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees' base salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with the applicable laws and regulations in the PRC. The Group has adopted a share option scheme as a reward to eligible high-caliber employees and to attract similar high quality personnel that are valuable to the Group.

PROSPECTS

The 19th National Congress of the Communist Party of China《中國共產黨第十九次全國代表大會》was held in October 2017, and it affirmed China's commitment on the country's innovative, coordinated, green, and open development.

Market share of cigarette packaging

During 2017, Regional China National Tobacco Corporations continued to destock which affected adversely the sales volume of the mid to low tier products of the Eastern Chinese customers. Although the Group had managed to maintain its market share in general, mandatory tendering will undoubtedly impose price pressure across almost all tiers of cigarette packaging products . To counter this, we will transition our marketing strategy to increase the relative importance on several major high-tier brands. Meanwhile, comprehensive effort on strengthening research and development and product design will be spent on tendering new brands of lower volume but higher profitability. Quality control is always the Group's major focus for retaining customers. In the face of downward pressure of product price, deeper supplier management will be executed vertically in the supply chain to resolve the material issue related to the existing material suppliers. With better utilization of resource, new technology on packaging will be invented to increase customer loyalty.

Smart packaging

With the acquisition of the IOT company as stated in the announcement of the Company dated 22 May 2017, the Group is further diversifying into smart packaging. The newly acquired subsidiary will incorporate new technology into our traditional package to create competitive advantage over the conventional printers of the industry. It is expected that continuous investments will be spent in this segment which is expected to be a growing contributor to the Group's revenue.

Boutique packaging

In order to cope with the recent development trends in the high end packaging markets, the Group will continue to invest further in upgrading the existing production facilities to enhance our product quality, production capacity and efficiency for producing boutique packaging. It is expected that our product range will be widened to include non-cigarette package products to satisfy the wider range of package printing customers.

Synergetic co-operations and developments

It is the Group's corporate mission to continue to explore ways to improve its financial performance, to equip the Group with growth momentum, to diversify its operations internationally into new and more profitable businesses and to broaden the sources of revenue within acceptable risk level. Hence, the Company does not rule out the possibility of investing in or diversifying into other profitable business as long as it is in the interests of the Company and its shareholders as a whole.

Looking ahead, the Group will continue to seek investment and business opportunities with a view to achieving a sustainable growth, increasing profitability and ultimately maximising the return to the shareholders of the Company.

FINAL DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (2016: HK15.3 cents).

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules. For the year ended 31 December 2017, the Company has complied in general with the Code, except code provisions A.6.7 and E.1.2 of the Code as Mr. Cai Xiao Ming (the Chairman of the Board) and Mr. Peng Guoyi were unable to attend the annual general meeting of the Company held on 2 June 2017 due to their other business engagement.

REVIEW BY THE AUDIT COMMITTEE

The Audit Committee consisted of the three independent non-executive Directors and one non-executive Director. Mr. Lui Tin Nang is the chairman of the Audit Committee. The primary duties of the Audit Committee are, among other matters, to review and monitor the financial reporting process and internal control and risk management of the Group, and to report to the Board on matters relating to the corporate governance as stated in the Code. During the year ended 31 December 2017, the Audit Committee held two meetings and has reviewed, among other matters, the Company's financial statements and the Group's consolidated financial statements for the year ended 31 December 2016 and for the six months ended 30 June 2017, including the accounting principles and practices adopted by the Company and the Group as well as the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company, nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2017.

ANNUAL GENERAL MEETING

The 2018 annual general meeting of the Company ("2018 AGM") will be held in Hong Kong on or about 1 June 2018. Notice of the 2018 AGM will be issued and disseminated to shareholders of the Company in due course.

CLOSURE OF REGISTER OF MEMBERS

For determining the entitlement to attend and vote at the 2018 AGM, the register of members of the Company will be closed from 28 May 2018 to 1 June 2018 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the 2018 AGM, all transfer of shares of the Company accompanied by the relevant share certificate(s) and appropriate transfer form(s) must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 25 May 2018.

ACKNOWLEDGEMENT

The Directors would like to take this opportunity to express their sincere gratitude to our shareholders, customers, suppliers and to our staff for their support, commitment and diligence during the year.

By Order of the Board of
Brilliant Circle Holdings International Limited
Cai Xiao Ming, David
Chairman

Hong Kong, 26 March 2018

As at the date of this announcement, the Board comprises three executive Directors, namely, Mr. Cai Xiao Ming, David (Chairman), Mr. Qin Song (Vice Chairman and the Chief Executive Officer) and Mr. Peng Guoyi, one non-executive Director, namely, Ms. Li Li, and three independent non-executive Directors, namely, Mr. Lui Tin Nang, Mr. Lam Ying Hung, Andy and Mr. Siu Man Ho, Simon.