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 2018

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK$1,366.8 million (2017: HK$1,265.5 million), representing an increase of 8.0% from the previous year. Putting aside the adjustment of HKFRS 15 of HK$108.1 million, revenue amounted to approximately HK$1,258.6 million, representing a slight decrease of 0.5% which was mainly due to decrease in business volume related to destocking in China Tobacco industry partially offset by an improvement in average selling price during the year.

- Profit for the year attributable to the owners of the Company was approximately HK$169.4 million (2017: HK$138.0 million), representing an increase of approximately 22.7%. Putting aside the adjustment of HKFRS 15 of HK$36.3 million, profit for the year attributable to the owners of the Company would be approximately HK$133.1 million, representing an decrease of approximately HK$4.9 million. If the effect of impairment of goodwill of HK$48.0 million (2017: HK$40.0 million) is also put aside, the profit for the year attributable to the owners of the Company would be approximately HK$181.1 million, representing a slight increase of approximately 1.7%.

- Earnings per share (both basic and diluted) for the year was HK11 cents (2017: HK9 cents).

- No final dividend was proposed for the year ended 31 December 2018.

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 2018 together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2018

	NOTES	**2018** *HK$'000*	2017 *HK$'000*
Continuing operations			
Revenue	*3&4*	**1,366,753**	1,265,515
Cost of sales		**(1,065,863)**	(956,917)
Gross profit		**300,890**	308,598
Other income	*5*	**32,244**	35,486
Other gains and losses	*6*	**(64,357)**	(44,283)
Impairment losses on financial assets and contract assets, net of reversal		**(6,218)**	(930)
Selling and distribution expenses		**(60,426)**	(43,022)
Administrative expenses		**(98,572)**	(79,988)
Other expenses		**(3,396)**	(8,103)
Finance costs	*7*	**(22,776)**	(21,988)
Share of profits of associates		**51,669**	47,334
Share of (loss) profit of a joint venture		**623**	(274)
Gain on disposal of subsidiaries		**91,681**	–
Profit before taxation		**221,362**	192,830
Taxation	*8*	**(46,930)**	(50,023)
Profit for the year	*9*	**174,432**	142,807
Other comprehensive income (expense):			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(132,393)**	195,912
Total comprehensive income for the year		**42,039**	338,725

	NOTE	2018 HK$'000	2017 HK$'000
Profit for the year attributable to:			
Owners of the Company		**169,383**	138,025
Non-controlling interests		**5,049**	4,782
		174,432	142,807
Total comprehensive income (expense) attributable to:			
Owners of the Company		**39,408**	329,959
Non-controlling interests		**2,631**	8,766
		42,039	338,725

	NOTE	2018 HK$	2017 HK$
Earnings per share	*11*		
Basic and diluted		**0.11**	0.09

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	NOTE	**2018** **HK$'000**	2017 *HK$'000*
Non-current Assets			
Property, plant and equipment		**790,586**	729,865
Prepaid lease payments		**100,434**	82,095
Investment properties		**25,703**	57,136
Goodwill		**1,050,965**	1,044,293
Intangible assets		**163,765**	193,875
Interests in associates		**460,604**	535,072
Interest in a joint venture		**8,755**	8,586
Amount due from a related party		**9,422**	–
Deferred tax assets		**200**	–
Deposits for property, plant and equipment		**16,235**	8,675
Deposits paid for acquisition of prepaid lease payments		**2,289**	–
		2,628,958	2,659,597
Current Assets			
Inventories		**163,766**	167,892
Prepaid lease payments		**2,425**	2,292
Trade and bills receivables	*12*	**544,637**	796,248
Contract assets		**165,385**	–
Other receivables, prepayments and refundable deposits		**59,904**	56,562
Amounts due from related parties		**–**	9,866
Tax recoverable		**3,129**	3,267
Financial assets at fair value through profit or loss		**–**	7,193
Pledged bank deposits		**11,250**	5,455
Bank balances and cash		**355,508**	292,511
		1,306,004	1,341,286
Assets classified as held for sale		**–**	197,623
		1,306,004	1,538,909

	NOTE	2018 HK$'000	2017 HK$'000
Current Liabilities			
Trade and bills payables	13	**229,676**	265,364
Other payables and accruals		**116,545**	115,539
Purchase consideration payable for acquisition		**12,776**	11,103
Amounts due to non-controlling interests of subsidiaries		**8,154**	4,983
Bank borrowings		**601,334**	621,916
Bank overdrafts		**19,897**	–
Income tax payable		**30,489**	41,483
		1,018,871	1,060,388
Liabilities associated with assets classified as held for sale		**–**	39
		1,018,871	1,060,427
Net Current Assets		**287,133**	478,482
Total Assets less Current Liabilities		**2,916,091**	3,138,079
Non-current Liabilities			
Government grants		**30,175**	34,441
Bank borrowings		**18,750**	56,250
Deferred tax liabilities		**68,565**	55,133
Purchase consideration payable for acquisition		**–**	11,745
		117,490	157,569
Net assets		**2,798,601**	2,980,510
Capital and Reserves			
Share capital		**7,839**	7,839
Share premium and reserves		**2,755,824**	2,909,793
Equity attributable to owners of the Company		**2,763,663**	2,917,632
Non-controlling interests		**34,938**	62,878
Total Equity		**2,798,601**	2,980,510

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. GENERAL

Brilliant Circle Holdings International Limited (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 "Controlling Shareholder"). 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 1201A, 12th Floor, 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 sale 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 issued by the Hong Kong Institute of Certified Public Accountants (the "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

A. For the year ended 31 December 2018

Disaggregation of revenue from contracts with customers

Types of goods

	2018
	HK$'000
Printing and manufacturing of cigarette packages and related materials	
Printing of cigarette packages	**1,175,388**
Manufacturing of paper packaging materials	**61,528**
Manufacturing of laminated papers	**44,776**
Sales of RFID products	**85,061**
	1,366,753

Timing of revenue recognition

			2018		
	Manufacturing of paper packaging materials	**Printing of cigarette packages**	**Manufacturing of laminated papers**	**Sales of RFID products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
A point in time	**61,528**	**–**	**–**	**85,061**	**146,589**
Over time	**–**	**1,175,388**	**44,776**	**–**	**1,220,164**
Total	**61,528**	**1,175,388**	**44,776**	**85,061**	**1,366,753**

Geographical markets

Information about the Group's revenue from external customers is presented based on the geographical market irrespective of the origin of goods/services.

	2018			
	Printing of cigarette packages *HK$'000*	**Manufacturing of laminated papers** *HK$'000*	**Sales of RFID products** *HK$'000*	**Manufacturing of paper packaging materials** *HK$'000*
PRC	**1,175,388**	**44,776**	**56,405**	**61,528**
Others *(Note)*	**–**	**–**	**28,656**	**–**
Total	**1,175,388**	**44,776**	**85,061**	**61,528**

Note: Others included the Republic of Indonesia, the United States of America and the Republic of Korea.

B. For the year ended 31 December 2017

An analysis of the Group's revenue for the year is as follows:

	2017 *HK$'000*
Printing of cigarette packages	1,189,744
Manufacturing of laminated papers	42,849
Sales of RFID products	32,922
	1,265,515

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 and manufacturing of cigarette packages and related materials, (ii) manufacturing of laminated papers and (iii) sales of RFID products. During the year, the Group commenced the business of manufacturing of paper packaging materials upon the acquisition of a new subsidiary and its result is included in the segment of printing and manufacturing of cigarette packages and related materials. The CODM considered the Group has three (2017: three) 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 by reportable segment.

For the year ended 31 December 2018

	Printing and manufacturing of cigarette packages and related materials *HK$'000*	Manufacturing of laminated papers *HK$'000*	Sales of RFID products *HK$'000*	Total *HK$'000*
Segment revenue	**1,236,916**	**44,776**	**85,061**	**1,366,753**
Segment profit	**259,796**	**10,373**	**16,609**	**286,778**
Unallocated — other income and other gains and losses				**(32,113)**
Unallocated expenses				**(148,282)**
Finance costs				**(22,776)**
Share of profits of associates				**51,669**
Share of profit of a joint venture				**623**
Impairment loss on financial assets and contract assets, net of reversal				**(6,218)**
Gain on disposal of subsidiaries				**91,681**
Profit before taxation				**221,362**

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				(8,727)
Impairment loss on financial assets and contract assets, net of reversal				(930)
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

The accounting policies of the operating segments are the same as the Group's accounting policies.

Segment profit represents the profit earned by each segment without allocation of corporate management expenses, directors' emoluments, share of profits of associates, share of profit (loss) of a joint venture, finance costs, unallocated other income, other gains and losses, amortisation of intangible assets, expenses and gain on disposal of subsidiaries. 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

	2018	2017
	HK$'000	*HK$'000*
Interest on bank deposits	**1,157**	1,321
Sales of scrap materials	**11,671**	3,385
Processing fee income	**2,783**	2,848
Rental income	**3,256**	5,283
Government grants *(Note)*	**12,476**	20,616
Interest income on long-term receivables	**–**	1,290
Sundry income	**901**	743
	32,244	35,486

Note: Government grants were received from the government of the PRC mainly as incentives granted by local authority for encouragement of its business development and innovation except for an amount of HK$2,634,000 (2017: HK$2,577,000) 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

	2018	2017
	HK$'000	*HK$'000*
Net foreign exchange losses	**(10,518)**	(6,433)
Net gain on structured deposits	**–**	2,008
Gain from changes in fair value of financial assets at FVTPL	**3,379**	–
Loss from changes in fair value of financial liabilities at FVTPL	**(482)**	–
(Losses) gains on disposal of property, plant and equipment	**(39)**	142
Impairment losses on goodwill	**(48,000)**	(40,000)
Losses on disposal of partial equity interest in an associate	**(8,536)**	–
Other	**(161)**	–
	(64,357)	(44,283)

7. FINANCE COSTS

	2018	2017
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**22,776**	21,988

8. TAXATION

	2018	2017
	HK$'000	*HK$'000*
Current tax:		
The People's Republic of China (the "PRC")		
Enterprise Income Tax ("EIT")	**30,327**	42,055
Withholding tax	**6,516**	29,450
	36,843	71,505
Underprovision (overprovision) of EIT in prior year	**208**	(3,019)
Deferred tax:		
Current year	**9,879**	(18,463)
	46,930	50,023

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% (2017: 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 2016 to 2021.

Upon the New Tax Law and Implementation Regulations, the 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.

9. PROFIT FOR THE YEAR

	2018	2017
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	**3,286**	2,476
Other staff costs		
Salaries and other benefits	**152,210**	113,289
Contributions to retirement benefits schemes	**14,003**	11,044
Total staff costs	**169,499**	126,809
Less: capitalised in inventories	**(11,430)**	(105,472)
included in cost of sales	**(113,480)**	N/A
	44,589	21,337
Auditor's remuneration	**3,771**	3,457
Cost of inventories recognised as expenses	**718,809**	889,275
Surcharges on overdue payments to governmental authorities and compensation expenses (included in other expenses)	**–**	2,732
Depreciation of property, plant and equipment	**93,122**	82,578
Depreciation of investment properties	**2,017**	6,084
Release of prepaid lease payments	**2,263**	2,214
Amortisation of intangible assets (included in cost of sales and administrative expenses)	**46,759**	45,694
Total depreciation and amortisation	**144,161**	136,570
Less: capitalised in inventories	**(6,822)**	(116,797)
included in cost of sales	**(113,744)**	N/A
	23,595	19,773
Operating lease rentals in respect of rented premises	**8,236**	3,105
Reversals of write-down on obsolete inventories (included in cost of sales)	**592**	(988)
Research and development costs recognised as an expense (included in other expenses)	**3,396**	4,837
Shares of taxation of associates	**13,298**	11,150
Gross rental income from investment properties	**(7,500)**	(8,155)
Less: direct operating expenses incurred for investment properties that generated rental income during the year	**4,244**	2,872
	(3,256)	(5,283)

10. DIVIDENDS

	2018 *HK$'000*	2017 *HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2017 special dividend	**199,905**	–
2016 final — HK15.30 cents per share	**–**	239,886
	199,905	239,886

During the current year, the special dividend of HK12.75 cents in respect of the year ended 31 December 2017 (2017: HK15.30 cents) per share, amounting approximately HK$199,905,000 (2017: HK$239,886,000) has been paid to shareholders.

No dividend was proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

11. EARNINGS PER SHARE

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

	2018 *HK$'000*	2017 *HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**169,383**	138,025

	2018 *'000*	2017 *'000*
Number of shares:		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	**1,567,885**	1,567,885

No dilutive earnings per share is presented as there were no potential ordinary shares in issue during both years.

12. TRADE RECEIVABLES

	2018 *HK$'000*	2017 *HK$'000*
Trade receivables		
— third parties	**546,799**	787,329
— related party	**–**	3,595
— an associate	**9,827**	5,324
	556,626	796,248
Less: allowance for credit losses	**(11,989)**	–
	544,637	796,248

The following is an aged analysis of trade receivables net of allowance for credit losses at the end of the reporting period.

	2018	2017
	HK$'000	*HK$'000*
0–90 days	**473,075**	683,882
91–180 days	**30,180**	38,776
181–365 days	**14,338**	20,888
Over 365 days	**27,044**	52,702
	544,637	796,248

13. TRADE PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**229,676**	265,364

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

	2018	2017
	HK$'000	*HK$'000*
0–30 days	**120,043**	175,398
31–90 days	**70,925**	73,409
91–180 days	**19,928**	12,654
181–365 days	**17,095**	3,570
Over 365 days	**1,685**	333
	229,676	265,364

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.

As at 31 December 2017, bills amounting to HK$4,208,000 (2018: nil) were transferred to suppliers for settling trade payables.

14. CONTINGENT LIABILITIES

During the year ended 31 December 2017, 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 has categorically defended and challenged all the claims by the Claimant during the arbitration hearing. 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.

BUSINESS REVIEW

For the year ended 31 December 2018, the Company achieved revenue of approximately HK$1,366.8 million with profit attributable to owners amounting to approximately HK$169.4 million and basic earnings per share of approximately HK11 cents.

Putting aside the adjustment as required by the new accounting standard HKFRS 15, the Company achieved revenue of approximately HK$1,258.7 million with a profit for the year amounting to approximately HK$133.1 million.

In 2018, China economy kept facing pressure from the US trade standoff and the impact of a domestic debt cleanup. China's trade conflict with US was worsened in the second half of 2018 where heat mounted after various rounds of tariff lists exchanged between the governments of the two world's biggest economies had come into effect and culminated when US announced in October 2018 that the initial tariff rate was going to be raised from 10% to 25% before January 2019 and extend to cover all imports from China if trade truce cannot be reached before March 2019. Fortunately, a full blown trade war had not come to scene yet when a temporary ceasefire and extension of trade truce deadline had been agreed in December 2018 and February 2019 respectively. However, the uncertainty brought had loomed the second half of 2018 and had made China's economy grow at its slowest pace in 28 years in 2018, with GDP expanding only 6.6%, down 0.2 percentage point from the previous year, according to data recently released by the country's National Bureau of Statistics.

Due to tax hikes, public smoking bans and tougher advertising rules, sales growth of cigarette products in China increase only very slightly over the past two years. The destocking program launched since 2016 has significantly reduced the inventory level along various stage of cigarette industry which had indirectly dampened the demand for cigarette package products. However, such adverse effect showed strong signs of fading out especially in the last quarter of 2018 where the Group's customers from China National Tobacco Corporation ("CNTC") has already significantly reduced the inventory level to a minimal level while demand for China tobacco products remained rigid.

Printing and Manufacturing of Cigarette Package and Related Materials

The second half of 2018 is still a tough period for this segment especially in terms of the business volume brought by the newly awarded tenders which went shipment later than expected and postponed to first quarter of 2019. However, as the inventory of the Group's CNTC customers has been exhausted after vigorous destocking for two consecutive years since 2016, they had become proactive to award new tenders to and/or orders from the Group either for stock refill or for new brand promotions. Thanks to investment in upgrading the Group's production facilities and adding smart packaging elements in the product design to the product for our conventional customers, the average selling price of cigarette packaging product has bottomed out with slight improvement during the second half of 2018.

To achieve vertical integration of its supply chain and enhance cost competitiveness under mandatory tendering system of China tobacco industry, in July 2018, the Company has completed the acquisition of Shenzhen Jin Sheng Cai Packaging Materials Co., Ltd. (深圳市金升彩包裝材料有限公司) ("Jin Sheng Cai"), a company principally engaged in the manufacture of raw materials required for the printing of cigarette packaging.

Manufacturing of Laminated Papers

The profit of the Group's laminated paper business remained stable while the revenue increased slightly.

Sales of RFID products

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 and 2018 audited results of the Target Company, financial performance as required by the profit guarantee stated in the SPA were both met. The second installment of the consideration had been paid in March 2018 to the seller and the final installment will be paid by the end of March 2019.

The Target Company continued to grow significantly in term of its sales and profit earned from manufacturing of RFID and NFC tags sold to overseas and local non-cigarette customers.

FINANCIAL REVIEW

Revenue

During the year, the revenue of the Group was approximately HK$1,366.8 million (2017: HK$1,265.5 million), which represents an increase of approximately HK$101.3 million or 8.0% as compared with 2017.

Putting aside the adjustment of HKFRS15, the revenue of the Group was approximately HK$1,258.7 million, which represents a decrease of approximately HK$6.8 million or 0.5% as compared with 2017. After HKFRS 15 adjustment, the revenues of our business segment of (1) printing and manufacturing of cigarette package and related materials increased by 4.0% to HK$1,236.9 million, (2) manufacturing of laminated papers increased by 4.5% to HK$44.8 million, and (3) sales of RFID products increased by 158.4% to HK$85.1 million. Putting aside the HKFRS15 adjustment, the revenues of the segment of printing and manufacturing of cigarette package and related materials decreased by 5.1% to HK$1,128.7 million while there is no significant difference for the rest two segments.

The slight decrease in revenue is mainly due to decrease in business volume due to destocking partially offset by slight improvement in average selling price during the year.

Gross Profit

During the year, gross profit of the Group decreased by approximately HK$7.7 million or 2.5% to HK$300.9 million as compared with 2017. The gross profit margin has decreased from 24.4% in 2017 to 22.0% in 2018. Putting aside the adjustment of HKFRS15, the gross profit of the Group was approximately HK$256.5 million, which represents a decrease of approximately HK$52.1 million or 16.9% as compared with 2017. The gross profit margin has decreased from 24.4% to 20.4% in 2018. It was mainly due to (i) decrease in business volume brought by destocking of customers; and (ii) decrease in the sub-contracting business to control credit risk with those late paying non-CNTC subcontractors. With the tremenduous marketing effort combined with crossing smart packaging solution to the customers, the average selling price has managed to rebound and outweighted part of adverse impact of weak volume.

Other income

Other income decreased by HK$3.2 million as compared with 2017. The decrease is primarily attributable to (i) decrease in government grant of HK$8.1 million; (ii) increase in sales of scrap materials of HK$8.3 million; (iii) decrease in rental income due to lesser idle industrial premises; and (iv) decrease in interest from loan receivable of HK$1.3 million.

Other gains and losses

The net losses increased by HK$19.1 million to HK$64.4 million. The increase was mainly due to (i) increase in unrealized foreign exchange loss of HK$4.1 million associated with the Hong Kong dollar net monetary liabilities; (ii) increase of impairment losses by HK$8.0 million to HK$48.0 million due to downward adjustment of a CGU's business forecast and (iii) losses on disposal of partial equity interest in an associate, offset by the gain from change in fair value of financial assets of HK$3.4 million.

Selling and distribution expenses

The selling and distribution expenses increased by HK$17.4 million to HK$60.4 million. It was mainly because specialised sales team has been established focusing on development of market in promotion of the Group's smart packaging solutions to the local and overseas markets.

Administrative expenses and other expenses

During the year, administrative expenses and other expenses increased by approximately HK$13.9 million or 15.8% to HK$102.0 million. The increase was primarily due to the (i) increase in staff cost of HK$9.8 million because of increase in administration staff cost of associated with new subsidiaries and the increased staff bonus; (ii) increase in legal expenses of HK$8.3 million relating to the merger and acquisitions and lawsuit; and (iii) decrease in depreciation of HK$5.7 million and increase in rental expenses of HK$2.9 million mainly associated with sales and leaseback of Hong Kong office premise.

Finance costs

Finance costs increased by 3.6% to approximately HK$22.8 million. It was mainly due to interest rate hike of bank borrowings during the year.

Share of profits of associates

Share of profits of associates increased by approximately HK$4.3 million to HK$51.7 million during the year. The increase in net profit of our associates was mainly due to the increase in average selling price brought by improvement in product mix and cost cutting measures of the Group's major associate Changde Goldroc Rotogravure Printing Co. during the year.

Taxation

The effective tax rate of the Group decreased from 25.9% to 21.2% in 2018. It was primarily due to increase in non-assessable profit related to disposal of subsidiary.

Profit for the year attributable to Owners of the Company

Profit attributable to the owners of the Company increased by 22.7% or by HK$31.4 million to HK$169.4 million, mainly because of one off gain of disposal of subsidiary of HK$91.7 million, earlier recognition of sales profit of HK$36.3 million due to HKFRS 15 adjustment and increase in impairment loss of goodwill to HK$48.0 million (2017: HK$40.0 million). Putting aside the adjustment of HKFRS 15 of HK$36.3 million, profit for the year attributable to the owners of the Company would be approximately HK$133.1 million, representing an decrease of approximately HK$4.9 million. If the effect of impairment of goodwill of HK$48.0 million (2017: HK$40.0 million) is also put aside, the profit for the year attributable to the owners of the Company would be approximately HK$181.1 million, representing a slight increase of approximately 1.7%.

Segment information

During the year, revenue was generated from three business segments: (i) the printing and manufacturing of cigarette packages and related materials of approximately HK$1,236.9 million (2017: HK$1,189.7 million), (ii) manufacturing of laminated papers of approximately HK$44.8 million (2017: HK$42.8 million), and (iii) sales of RFID products of approximately HK$85.1 million (2017: HK$32.9 million). The earnings from the printing and manufacturing of cigarette packages and related materials and manufacturing of laminated papers decreased by 11.7% to approximately HK$259.8 million (2017: HK$294.3 million) and 0.4% to approximately HK$10.3 million (2017: HK$10.4 million) respectively. Earnings from the printing and manufacturing of cigarette packages and related materials accounted for approximately 90.6% 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 2018, the Group had net current assets of HK$287.1 million (2017: HK$478.5 million), while the Group's cash and cash equivalents amounted to HK$355.5 million (2017: HK$292.5 million). As at 31 December 2018, the short-term interest-bearing bank borrowings of the Group amounted to HK$601.3 million (2017: HK$621.9 million). Carrying amounts of trade receivables, bank deposits and non-current assets classified as held for sale pledged for securing credit facilities amounted to approximately HK$Nil million (2017: HK$451.5 million), HK$11.3 million (2017: HK$5.5 million) and HK$Nil million (2017: HK$197.5 million) respectively. As at 31 December 2018, the Group's gearing ratio, represented by the amount of interest-bearing borrowings divided by shareholders equity, was reduced to 22.2% (as at 31 December 2017: 22.8%). As at 31 December 2018, the Group had capital commitments for purchase of property, plant and equipment which amounted to HK$67.1million (2017: HK$4.5 million).

CONTINGENT LIABILITIES AND GUARANTEES

Save as disclosed in the note 14 to the consolidated financial statements or elsewhere in this announcement, the Group did not provide any guarantees to third party and had no material contingent liabilities as at 31 December 2018.

MATERIAL ACQUISITION AND DISPOSAL

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 the cash consideration of HK$295,000,000, to Lion Capital Investment Limited, as the purchaser. The principal asset of the Target Group is a commercial building property together with three car parking spaces. The completion of the transaction had taken place on 30 April 2018. Details of the transaction can be referred to the announcement of the Company dated 11 January 2018.

On 13 July 2018, Shenzhen Kecai Printing Company Limited (深圳市科彩印務有限公司), a wholly owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party in relation to the acquisition of the entire equity interest of Jin Sheng Cai at the cash consideration of RMB130,000,000. Details of the transaction can be referred to the announcements of the Company dated 29 June 2018 and 13 July 2018.

Save as disclosed above or elsewhere in this announcement, there was no material acquisition or disposal of subsidiaries or associated companies by the Group during the year ended 31 December 2018.

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 2018, 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. 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 2018, assets with carrying amounts of approximately HK$11.3 million (31 December 2017: HK$654.4 million) were pledged to banks in respect of banking facilities granted to Group.

HUMAN RESOURCES

As at 31 December 2018, the Group had 11 (2017: 18) and 1,315 (2017: 1,178) 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

China government had just announced in early March 2019 at the National People's Congress that the GDP growth target will be adjusted downward from about 6.5% to a range between 6–6.5%. The deep rooted difference between the two countries is yet to be resolved and is expected to drag on beyond months. Accordingly, China will lower its value-added tax (VAT) rates as part of an RMB2 trillion cost cut package, as the government seeks to reduce costs for businesses amid a slowing economy and tariff dispute with the US. The 16 percent VAT rate, which applies to the manufacturing sector, will be lowered to 13 percent which will provide direct, immediate and broad impetus to the manufacturing sector. Since the cigarette package printing market remains substantially in China and for Mainland consumers, the effect of the trade war with US is expected to be minimal and indirect.

The business volume of China Tobacco market as a whole is still expected to grow at low single digit in 2019. However, as the adverse effect of destocking in China tobacco industry decreases rapidly and the industry inventory depletes to JIT level, the business throughput of the industry will turn more quickly with a volume which finally synchronises with the monthly consumption cycle of Chinese Tobacco users. Moreover, government's proactive stimulus at unprecedented extent and depth to alleviate the burden of manufacturing sector and encourage employment under the threat of trade war is expected to spillover to the cigarette packaging industry.

Despite the challenge faced by the Group in recent years, the Group is optimistic about the future as destocking's adverse effect will inevitably come to the end and sales price will improve by adding smart packaging elements into conventional cigarette market.

Driven by spectacular growth in our RFID segment, we had already upgraded our IOT factory in Jiangsu which had been developed into a top player in the industry in terms of both business volume and production technology within China. The construction of new IOT factory is underway and expected to facilitate our growing presence within China and internationally.

To strengthen the Group's foothold in the manufacture, production and sales of paper packaging materials through the newly acquired Jin Sheng Cai, the Group has added production lines to be manufacturer of plastic film under own facilities and making it a full fledged factory with ability to supply broad range of raw materials to the Group companies and other cigarette package manufacturers.

The smart packaging system developed by the Group is undergoing test-run stage which will be promoted as a separate brand new solutions to our conventional cigarette customers and to the new "heat-not-burn" tobacco product market which is expected to grow exponentially in near future. Such system with major modules comprising warehousing management, manufacturing execution, and customer relation management will offer one-stop-solutions to all participants along the whole value chain of the packaging industry including the package manufacturer, business package user, logistic provider, distribution intermediaries and finally the consumer ends.

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 2018 (2017: Nil). During 2018, the special dividend of HK12.75 cents in respect of the year ended 31 December 2017, amounting approximately HK$199,905,000 has been paid to shareholders.

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 2018, the Company has complied in general with the Code, except code provisions A.6.7 and E.1.2 of the Code as Mr. Peng Guoyi (the executive Director) and Ms. Li Li (the non-executive Director) were unable to attend the annual general meeting of the Company held on 1 June 2018 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 2018, 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 2017 and for the six months ended 30 June 2018, 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 2018.

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 2018 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 2018.

ANNUAL GENERAL MEETING

The 2019 annual general meeting of the Company ("2019 AGM") will be held in Hong Kong on or about 5 June 2019. Notice of the 2019 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 2019 AGM, the register of members of the Company will be closed from 30 May 2019 to 5 June 2019 (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 2019 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 29 May 2019.

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 2019

As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Cai Xiao Ming, David (Chairman), Mr. Qin Song (Vice Chairman and the Chief Executive Officer), Mr. Chan Xiao Liang and Mr. Chen Huapei, 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.