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)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2019

The board (the "Board") of directors (the "Directors") of Brilliant Circle Holdings International Limited (the "Company") is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the "Group") for the six months ended 30 June 2019 (the "Period under Review") together with the comparative figures for the corresponding period in 2018 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2019

		Six months ended 30 June	
		2019	2018
		(Unaudited)	(Unaudited)
	NOTES	***HK$'000***	*HK$'000*
Revenue	*4*	**616,920**	546,706
Cost of sales		**(492,978)**	(444,071)
Gross profit		**123,942**	102,635
Other income		**19,403**	17,140
Other gains and losses		**2,718**	2,526
Impairment losses on financial assets and contract assets, net of reversal		**(784)**	(1,348)
Selling and distribution expenses		**(23,692)**	(18,315)
Administrative expenses		**(38,561)**	(45,142)
Other expenses		**(1,395)**	(6,373)
Finance costs		**(9,567)**	(11,137)
Share of profits of associates		**20,819**	21,938
Share of (loss) profit of a joint venture		**(146)**	191
Gain on disposal of subsidiaries		**–**	90,101
Profit before taxation		**92,737**	152,216
Taxation	*6*	**(16,108)**	(15,321)
Profit for the period	*7*	**76,629**	136,895

	NOTE	Six months ended 30 June **2019** **(Unaudited)** ***HK$'000***	 2018 (Unaudited) *HK$'000*
Other comprehensive expense:			
Item that will not be reclassified subsequently to profit or loss:			
Exchange differences arising on translation to presentation currency		**(8,711)**	(39,727)
Total comprehensive income for the period		**67,918**	97,168
Profit for the period attributable to:			
Owners of the Company		**76,078**	132,703
Non-controlling interests		**551**	4,192
		76,629	136,895
Total comprehensive income attributable to:			
Owners of the Company		**67,516**	93,467
Non-controlling interests		**402**	3,701
		67,918	97,168
		HK$	*HK$*
Earnings per share			
Basic and diluted	*9*	**0.05**	0.08

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2019

	NOTE	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Non-current Assets			
Property, plant and equipment		**802,041**	790,586
Right-of-use assets		**107,599**	–
Prepaid lease payments		**–**	100,434
Investment properties		**16,888**	25,703
Goodwill		**1,049,997**	1,050,965
Intangible assets		**137,069**	163,765
Interests in associates		**408,581**	460,604
Interest in a joint venture		**8,597**	8,755
Amount due from a related party		**3,603**	9,422
Deferred tax assets		**276**	200
Rental and other deposits paid		**5,991**	18,524
		2,540,642	2,628,958
Current Assets			
Inventories		**176,775**	163,766
Prepaid lease payments		**–**	2,425
Trade receivables	*10*	**532,286**	544,637
Contract assets		**167,178**	165,385
Other receivables, prepayments and refundable deposits		**71,195**	59,904
Tax recoverable		**4,079**	3,129
Pledged bank deposits		**12,055**	11,250
Bank balances and cash		**325,640**	355,508
		1,289,208	1,306,004

	NOTE	30 June 2019 (Unaudited) HK$'000	31 December 2018 (Audited) HK$'000
Current Liabilities			
Trade payables	11	**202,785**	229,676
Other payables and accruals		**101,659**	116,545
Lease liabilities		**3,975**	–
Purchase consideration payable for acquisition		**–**	12,776
Amounts due to non-controlling interests of subsidiaries		**8,285**	8,154
Bank borrowings		**510,270**	601,334
Bank overdrafts		**19,807**	19,897
Income tax payable		**20,319**	30,489
		867,100	1,018,871
Net Current Assets		**422,108**	287,133
Total Assets less Current Liabilities		**2,962,750**	2,916,091
Non-current Liabilities			
Government grants		**28,860**	30,175
Bank borrowings		**–**	18,750
Lease liabilities		**2,046**	–
Deferred tax liabilities		**65,325**	68,565
		96,231	117,490
Net assets		**2,866,519**	2,798,601
Capital and Reserves			
Share capital		**7,839**	7,839
Share premium and reserves		**2,823,340**	2,755,824
Equity attributable to owners of the Company		**2,831,179**	2,763,663
Non-controlling interests		**35,340**	34,938
Total Equity		**2,866,519**	2,798,601

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2019

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, 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 packages, manufacturing of paper packaging materials, 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 Company's functional currency is Renminbi ("RMB"). For the convenience of the financial statements users, the condensed consolidated financial statements are presented in Hong Kong dollars ("HK$") as the Company's shares are listed on Stock Exchange.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules").

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair value, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed consolidated financial statements.

HKFRS 16	Leases
HK(IFRIC) – Int 23	Uncertainty over Income Tax Treatments
Amendments to HKFRS 9	Payment Features with Negative Compensation
Amendments to HKAS 19	Plan Amendment, Curtailment or Settlement
Amendments to HKAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to HKFRSs	Annual Improvements to HKFRSs 2015–2017 Cycle

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.1 Impacts and changes in accounting policies of application on HKFRS 16 "Leases"

The Group has applied HKFRS 16 for the first time in the current interim period. HKFRS 16 superseded HKAS 17 "Leases" ("HKAS 17"), and the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of HKFRS 16

The Group has applied the following accounting policies in accordance with the transition provisions of HKFRS 16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

As a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of buildings and motor vehicles that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;

- any lease payments made at or before the commencement date, less any lease incentives received;

- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

<u>Refundable rental deposits</u>

Refundable rental deposits paid are accounted under HKFRS 9 *"Financial Instruments"* ("HKFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

<u>Lease liabilities</u>

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- amounts expected to be paid under residual value guarantees;
- the exercise price of a purchase option reasonably certain to be exercised by the Group; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *"Income Taxes"* requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

As a lessor

Allocation of consideration to components of a contract

Effective on 1 January 2019, the Group has applied HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

3.1.2 Transition and summary of effects arising from initial application of HKFRS 16

Definition of a lease

The Group has elected the practical expedient to apply HKFRS 16 to contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in HKFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied HKFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under HKFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under HKAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i. elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

ii. excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iii. used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

On transition, the Group has made the following adjustments upon application of HKFRS 16:

As at 1 January 2019, the Group recognises additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid lease payments by applying HKFRS 16.C8(b)(ii) transition.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average incremental borrowing rate applied by relevant group entities ranged from 4% to 6%.

	At 1 January 2019 *HK$'000*
Operating lease commitments disclosed as at 31 December 2018	**7,932**
Lease liabilities discounted at relevant incremental borrowing rates	**7,619**
Add: Lease liabilities resulting from lease modifications of existing leases#	**2,989**
Less: Recognition exemption — short-term leases	**(603)**
Recognition exemption — low value assets	**(125)**
Lease liabilities as at 1 January 2019	**9,880**
Analysed as	
Current	**4,446**
Non-current	**5,434**
	9,880

The Group renewed the leases of existing offices by entering into new lease contracts which commence after date of initial application, these new contracts are accounted as lease modifications of the existing contracts upon application of HKFRS 16.

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets HK$'000
Right-of-use assets relating to operating leases recognised upon application of HKFRS 16	**9,880**
Reclassified from prepaid lease payments *(Note)*	**102,859**
	112,739
By class:	
Leasehold lands	**102,859**
Leasehold land and buildings	**9,880**
	112,739

Note: Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of HKFRS 16, the current and non-current portion of prepaid lease payments amounting to HK$2,425,000 and HK$100,434,000 respectively were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in HKFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with HKFRS 16 from the date of initial application and comparative information has not been restated.

Upon application of HKFRS 16, new lease contracts entered into but commence after the date of initial application relating to the same underlying assets under existing lease contracts are accounted as if the existing leases are modified as at 1 January 2019. The application has had no impact on the Group's condensed consolidated statement of financial position at 1 January 2019. However, effective 1 January 2019, lease payments relating to the revised lease term after modification are recognised as income on straight-line basis over the extended lease term.

Effective on 1 January 2019, the Group has applied HKFRS 15 to allocate consideration in the contract to each lease and non-lease components. The change in allocation basis has had no material impact on the condensed consolidated financial statements of the Group for the current period.

The initial application of HKFRS 16 as a lessor has no material impact on the Group's condensed consolidated statement of financial position as at 1 January 2019 and 30 June 2019 and its condensed consolidated statement of profit or loss and other comprehensive income and statement of cash flows for the current interim period.

The following adjustments were made to the amounts recognised in the condensed consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Note	Carrying amounts previously reported at 31 December 2018	Adjustments	Carrying amounts under HKFRS16 at 1 January 2019
		HK$'000	*HK$'000*	*HK$'000*
Non-current assets				
Prepaid lease payments	*(i)*	100,434	(100,434)	–
Right-of-use assets		–	112,739	112,739
Current asset				
Prepaid lease payments	*(i)*	2,425	(2,425)	–
Current liability				
Lease liabilities		–	4,446	4,446
Non-current liability				
Lease liabilities		–	5,434	5,434

Note: For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

4. REVENUE

Disaggregation of revenue from contracts with customers

Types of goods or services

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Printing and manufacturing of cigarette packages and related materials		
— Printing of cigarette packages	**517,637**	482,549
— Manufacturing of paper packaging materials	**37,812**	–
Manufacturing of laminated papers	**20,115**	22,498
Sales of RFID products	**41,356**	41,659
	616,920	546,706

Timing of revenue recognition

	For the six months ended 30 June 2019				
	Manufacturing of paper packaging materials (Unaudited) ***HK$'000***	**Printing of cigarette packages (Unaudited)** ***HK$'000***	**Manufacturing of laminated papers (Unaudited)** ***HK$'000***	**Sales of RFID products (Unaudited)** ***HK$'000***	**Total (Unaudited)** ***HK$'000***
A point in time	**37,812**	**–**	**–**	**41,356**	**79,168**
Over time	**–**	**517,637**	**20,115**	**–**	**537,752**
Total	**37,812**	**517,637**	**20,115**	**41,356**	**616,920**

	For the six months ended 30 June 2018			
	Printing of cigarette packages (Unaudited) *HK$'000*	Manufacturing of laminated papers (Unaudited) *HK$'000*	Sales of RFID products (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
A point in time	–	–	41,659	41,659
Over time	482,549	22,498	–	505,047
Total	482,549	22,498	41,659	546,706

Geographical markets

Information about the Group's revenue from external customers is presented based on the geographical market in which the customers operate.

	For the six months ended 30 June 2019				
	Manufacturing of paper packaging materials (Unaudited) ***HK$'000***	**Printing of cigarette packages (Unaudited)** ***HK$'000***	**Manufacturing of laminated papers (Unaudited)** ***HK$'000***	**Sales of RFID products (Unaudited)** ***HK$'000***	**Total (Unaudited)** ***HK$'000***
PRC	**37,812**	**517,637**	**20,115**	**35,308**	**610,872**
Others *(Note)*	**–**	**–**	**–**	**6,048**	**6,048**
Total	**37,812**	**517,637**	**20,115**	**41,356**	**616,920**

	For the six months ended 30 June 2018			
	Printing of cigarette packages (Unaudited) *HK$'000*	Manufacturing of laminated papers (Unaudited) *HK$'000*	Sales of RFID products (Unaudited) *HK$'000*	Total (Unaudited) *HK$'000*
PRC	480,464	22,498	22,927	525,889
Others *(Note)*	2,085	–	18,732	20,817
Total	482,549	22,498	41,659	546,706

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

5. 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. The Group commenced the business of manufacturing of cigarette packages and related materials upon the acquisition of a new subsidiary in July 2018 and its result is included in segment of printing and manufacturing of cigarette packages and related materials. The CODM considered the Group has three (2018: 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.

The following is an analysis of the Group's revenue and results by reportable segments:

For the six months ended 30 June 2019

	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	**555,449**	**20,115**	**41,356**	**616,920**
Segment profit	**116,720**	**4,637**	**4,786**	**126,143**
Unallocated — other income and other gains and losses				**22,121**
Unallocated expenses				**(65,849)**
Finance costs				**(9,567)**
Share of profits of associates				**20,819**
Share of loss of a joint venture				**(146)**
Impairment loss on financial assets and contract assets, net of reversal				**(784)**
Profit before taxation				**92,737**

For the six months ended 30 June 2018

	Printing of cigarette packages *HK$'000*	Manufacturing of laminated papers *HK$'000*	Sales of RFID products *HK$'000*	Total *HK$'000*
Segment revenue	482,549	22,498	41,659	546,706
Segment profit	90,684	5,682	10,578	106,944
Unallocated — other income and other gains and losses				19,666
Unallocated expenses				(74,139)
Finance costs				(11,137)
Share of profits of associates				21,938
Share of profit of a joint venture				191
Impairment loss on financial assets and contract assets, net of reversal *(Note)*				(1,348)
Gain on disposal of subsidiaries				90,101
Profit before taxation				152,216

Note: Impairment loss on financial assets and contract assets, net of reversal previously presented in segment profit was disclosed separately in current interim period according to the measure reported to the CODM.

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, unallocated other income, other gains and losses, impairment loss on financial assets and contract assets, net of reversal, amortisation of intangible assets relating to customer relationship, other 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.

6. TAXATION

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**15,013**	15,027
Withholding tax	**5,975**	4,993
Overprovision of EIT in prior year	**(1,598)**	(2,312)
	19,390	17,708
Deferred tax	**(3,282)**	(2,387)
	16,108	15,321

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% (2018: 15% to 25%) in the PRC. Pursuant to the "Enterprise Income Tax Law for Foreign Investment Enterprises and Foreign Enterprises", some PRC subsidiaries, being high-tech enterprises, 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 and associate 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.

7. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Profit for the period has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	**1,651**	1,683
Other staff costs		
Salaries and other benefits	**73,882**	50,461
Contributions to retirement benefits schemes	**7,601**	7,594
Total staff costs	**83,134**	59,738
Less: capitalised in inventories	**(7,898)**	(2,099)
included in costs of sales	**(60,297)**	(47,126)
	14,939	10,513
Depreciation of property, plant and equipment	**51,525**	37,557
Release of prepaid lease payments	**–**	1,175
Depreciation of right-of-use assets	**3,382**	–
Amortisation of intangible assets (included in cost of sales and administrative expenses)	**26,115**	22,858
Total depreciation and amortisation	**81,022**	61,590
Less: capitalised in inventories	**(8,904)**	(2,434)
included in cost of sales	**(57,472)**	(53,881)
	14,646	5,275

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Depreciation of investment properties	**950**	1,824
Operating lease rentals in respect of rented premises	**832**	1,325
Research and development costs recognised as an expense (included in other expenses)	**1,395**	1,107
Share of taxation of associates	**5,205**	4,822
Impairment loss recognised in respect of contract assets and trade and other receivables, net	**784**	1,348
Gross rental income from investment properties	**(1,913)**	(3,435)
Less: direct operating expenses incurred for investment properties that generated rental income during the period	**820**	1,824
	(1,093)	(1,611)
Gain from change in fair value of financial assets at FVTPL	**(1,377)**	(1,790)
Gain from change in fair value of financial liabilities at FVTPL	**(1,190)**	–
Net foreign exchange losses	**44**	228
Gain on disposals of property, plant and equipment	**(164)**	(2,755)

8. DIVIDENDS

The aggregate amount of the dividend declared and paid in the interim period is as follows:

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
– 2018 special dividend	**–**	199,905

No dividends were paid, declared or proposed during the interim period. The directors of the Company have resolved not to declare any dividend in respect of the interim period.

During the six months ended 30 June 2018, a special dividend of HK12.75 cents per share, amounting approximately HK$199,905,000, was declared to the shareholders in respect of the year ended 31 December 2017.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2019	2018
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (Profit for the period attributable to owners of the Company)	**76,078**	132,703
	'000	*'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 for the six months ended 30 June 2019 and 2018 since there were no potential ordinary shares in issue during both periods.

10. TRADE RECEIVABLES

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Trade receivables		
— third parties	**531,283**	546,799
— an associate	**13,619**	9,827
	544,902	556,626
Less: allowance for credit losses	**(12,616)**	(11,989)
	532,286	544,637

The Group allows a credit period of 60 days to 90 days to its trade customers. The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the date of delivery goods/invoice date at the end of the reporting period, which approximated revenue recognition dates except for receivables arising from printing of cigarette packages and manufacturing of laminated papers which are recognised over time upon application of HKFRS 15.

	30 June 2019	31 December 2018
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
0–90 days	**394,559**	473,075
91–180 days	**76,393**	30,180
181–365 days	**38,295**	14,338
Over 365 days	**23,039**	27,044
	532,286	544,637

As at 30 June 2019, total bills received amounting to HK$13,845,000 (31 December 2018: HK$10,881,000) were held by the Group for future settlement of trade receivables due from third parties. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

11. TRADE PAYABLES

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

	30 June 2019 (Unaudited) ***HK$'000***	31 December 2018 (Audited) *HK$'000*
0–30 days	**99,834**	120,043
31–90 days	**64,665**	70,925
91–180 days	**24,065**	19,928
181–365 days	**9,206**	17,095
Over 365 days	**5,015**	1,685
	202,785	229,676

As at 30 June 2019, bills amounting to HK$5,144,000 (31 December 2018: nil) were transferred to suppliers for settling trade payables.

12. 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 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.

BUSINESS REVIEW

During the Period under Review, the Company achieved revenue of approximately HK$616.9 million with profit attributable to owners of the Company amounting to approximately HK$76.1 million and basic earnings per share of approximately HK5 cents. The Board did not recommend the payment of an interim dividend for the Period under Review.

Comparing with the corresponding period of 2018, Renminbi ("RMB") had depreciated against Hong Kong dollars ("HKD") by about 6% which had adversely affected the Group's consolidated results as the functional currency is RMB while the financial figures are all denominated in HK$.

During the Period under Review, the Chinese economy grew even more challenging on multiple fronts. Despite many rounds of face-to-face negotiations, not only was the trade war with the United States of America (the "US") no closer to being resolved, but the conflict has culminated in another round of US tariff and China's termination of various agreed purchase programs on US agricultural products. While the Chinese government has taken a number of steps to encourage consumer spending such as providing discounts and subsidies for purchases of household goods, tax cuts, loosening of monetary policy to encourage bank lending, their effect has not materialised as visibly in magnitude as intended.

The Chinese cigarette market during the Period under Review appears to be less susceptible to the turbulent economic environment and even showed encouraging resurgence especially in the first quarter except that the demand growth for the high tier products has not ensued to the expected extent yet.

Printing and Manufacturing of Cigarette Packages and Related Materials

During the Period under Review, though the Group remained subject to price pressure brought by the mandatory tendering, the shipment associated with new major tenders helped lift business volume. Coupled with taming of material cost inflation, the profit from the segment of printing and manufacturing of cigarette packages and related materials, being the most significant segment of the Group, recorded a marked improvement in product profitability compared with the corresponding period of 2018.

Manufacturing of Laminated Papers

The segment profit of laminated paper manufacturing has decreased mainly due to increase in staff and material cost and RMB depreciation during the Period under Review.

Sales of RFID products

During the Period under Review, the result of the Group's internet-of-things ("IOT") company did not perform as expected as one of the major lucrative RFID customers has changed its business. The revenue from this segment has dropped slightly with its profit affected by a relatively significant extent.

PROSPECTS

The latest round of tariff announcements made by the US foresee that by the end of 2019, essentially all Chinese goods exported to the US will be subject to tariff where US$300 billions and US$250 billions of which will rise to 15% and 30% respectively. Adverse development in the trade war might start to dampen consumption as it affects consumer confidence by increasing redundancy brought by restructuring of regional supply chain at the expenses of China and will undermine the effect of various stimulus measures introduced by the Chinese government.

On the other hand, the cigarette package printing business of the Group is expected to be only slightly and indirectly affected by the trade war in view of vigorous demand for cigarette products in China. While the continual effort for destocking and price pressure from mandatory tendering is expected to persist within the industry, such challenges have already been well contained by the Group, among other fittest players in the industry.

Apart from the local market, China National Tobacco Corporation (CNTC) is now taking a global push with full government support to rival with the likes of Philip Morris and British American Tobacco in global markets. China exported cigarettes worth US$722 million in 2018 according to customs data, up from US$248 million a decade ago. To sustain market growth in the Chinese cigarette market and leverage the government's planned expansion in overseas market, the Group is strategically speeding up launching cycle of new products rather than solely focusing on the major conventional brands.

As part of the long term strategy to diversify into other non-cigarette package businesses, the Group has expanded its capacity to produce laminated papers and related materials not only for self-use but for other cigarette package printers and subcontractors. Such strategy is expected to add stimulus both to existing businesses and cross-selling opportunities to other non-cigarette package paper product market. Despite the recent loss of business from a major RFID customer, the IOT factory has been contemplating another new product line for production of near-field communication price tags for apparel markets and stretch its geographical reach beyond Asia into Europe and South America.

FINANCIAL REVIEW

REVENUE

During the Period under Review, the revenue of the Group was approximately HK$616.9 million (six months ended 30 June 2018: HK$546.7 million), which represents an increase of approximately HK$70.2 million or 12.8% as compared to the corresponding period in 2018. The revenue of our three business segments, namely printing and manufacturing of cigarette package and related materials, manufacturing of laminated papers and sales of RFID products were approximately HK$555.4 million (six months ended 30 June 2018: HK$482.5 million), HK$20.1 million (six months ended 30 June 2018: HK$22.5 million) and HK$41.4 million (six months ended 30 June 2018: HK$41.7 million) respectively.

The increase in revenue was mainly attributable to the recovery in business volume of manufacturing and printing of cigarette packages and related materials brought by the high tier products of newly awarded tenders during the Period under Review. However, the depreciation of RMB against HKD of roughly 6% comparing with the corresponding period of 2018 has partially reduced such upside effect.

GROSS PROFIT

During the Period under Review, gross profit of the Group increased by 20.8% to approximately HK$123.9 million (six months ended 30 June 2018: HK$102.6 million) as compared to the same period in 2018. The gross profit margin increased to 20.1% during the first half of 2019 (six months ended 30 June 2018: 18.8%).

The average selling price was by large stable while more than proportionate decrease in the unit material cost and savings brought by increased automation helped improve the product profitability compared with corresponding period of 2018.

OTHER INCOME

Other income mainly represents income from sales of scrap materials and government grant. Such item increased by approximately HK$2.3 million to HK$19.4 million as compared with the corresponding period in 2018 which was mainly attributable to increase in government grant income.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses increased by approximately HK$5.4 million to HK$23.7 million or 29.5% mainly because there was an increase in marketing activities into developing new product line during the Period under Review.

ADMINISTRATIVE EXPENSES AND OTHER EXPENSES

During the Period under Review, administrative expenses and other expenses decreased by approximately HK$11.6 million or 22.4% to HK$40.0 million mainly because of (1) decrease in the administration staff cost of about HK$6.5 million brought by cost cutting measures; and (2) absence of agency fee and professional fee of about HK$5.0 million related to the merger and acquisitions and lawsuit in the corresponding period of 2018.

FINANCE COSTS

Finance costs decreased by approximately HK$1.5 million or 13.5% as compared with the corresponding period in 2018. Such decrease was mainly due to repayment of bank loan, thereby reducing the average bank borrowings albeit the interest rate hike during the Period under Review.

SHARE OF PROFITS OF ASSOCIATES

Share of profits of associates slightly decreased by approximately HK$1.1 million to HK$20.8 million during the Period under Review. Revenue and net profit of the major associates, Changde Goldroc Rotogravure Printing Co., Limited ("Changde Goldroc") were approximately HK$497.0 million (six months ended 30 June 2018: HK$546.5 million) and HK$99.5 million during the Period under Review (six months ended 30 June 2018: HK$102.9 million) respectively.

Albeit marked improvement in product profitability during the Period under Review, there was a slight decrease in net profit of Changde Goldroc mainly due to depreciation of RMB against the denomination currency of HKD and slight decrease in business volume of local market.

TAXATION

The effective tax rate of the Group increased from approximately 10.1% to 17.4% during the Period under Review. Such increase was mainly due to significant decrease in non-assessable profit related to the disposal of subsidiaries in the corresponding period of 2018.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to the owners of the Company was approximately HK$76.1 million, a decrease of approximately HK$56.6 million or 42.7% as compared with the corresponding period in 2018. The decrease was mainly due to absence of one-off gain on disposal of subsidiaries in the corresponding period of 2018 partially set off by the increase in revenue and gross profit during the Period under Review.

SEGMENT INFORMATION

During the Period under Review, the revenue from the printing and manufacturing of cigarette packages and related materials, manufacturing of laminated papers and sales of RFID products were approximately HK$555.4 million (six months ended 30 June 2018: HK$482.5 million) and approximately HK$20.1 million (six months ended 30 June 2018: HK$22.5 million) and approximately HK$41.4 million (six months ended 30 June 2018: HK$41.7 million) respectively. Earnings from the printing and manufacturing of cigarette packages and related materials accounted for approximately 92.5% of the total segment earnings before unallocated items. The earnings before unallocated items from printing and manufacturing of cigarette packages printing and related materials increased by approximately 28.7%, and earnings before unallocated items from manufacturing of laminated papers decreased by 18.4%. During the Period under Review, earnings before unallocated items from sales of RFID products decreased by 54.8% to HK$4.8 million.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated resources and banking facilities. As at 30 June 2019, the Group had net current assets of approximately HK$422.1 million (as at 31 December 2018: HK$287.1 million) while the Group's cash and cash equivalents amounted to approximately HK$305.8 million (as at 31 December 2018: HK$550.6 million).

As at 30 June 2019, short-term interest-bearing bank borrowings (repayable within one year) of the Group amounted to approximately HK$510.3 million (as at 31 December 2018: HK$601.3 million). Carrying amounts of bank deposits pledged for securing these credit facilities amounted to approximately HK$12.1 million (as at 31 December 2018: HK$11.3 million). As at 30 June 2019, the Group's gearing ratio, represented by the amount of interest-bearing borrowings divided by shareholders equity, was approximately 17.8% (as at 31 December 2018: 22.2%).

In addition, the Group's lease liabilities of approximately HK$6,021,000 are recognised with related right of-use assets of approximately HK$6,002,000 as at 30 June 2019.

CAPITAL COMMITMENTS

As at 30 June 2019, the Group had capital commitments in respect of the acquisition of property, plant, equipment contracted for but not provided in the financial statements amounting to approximately HK$52.8 million (as at 31 December 2018: HK$67.1 million), mainly related to upgrade of the existing machineries.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal of subsidiaries or associated companies by the Group during the Period under Review.

TREASURY POLICIES

The Group adopted a prudent strategy towards the treasury and funding policies, and attached high importance to the risk control and transactions directly related to the Group's principal business. Funds, primarily denominated in HKD and RMB, are normally placed with banks in short or medium term deposits for working capital of the Group.

CAPITAL STRUCTURE

During the Period under Review, the Group's operation was mainly financed by funds generated from its operation and bank borrowings. As at 30 June 2019, bank borrowings were mainly denominated in HKD and RMB, while the cash and cash equivalents held by the Group were mainly denominated in HKD and RMB. The Group's turnover is mainly denominated in RMB, while its costs and expenses are mainly denominated in HKD and RMB. In view of the prevailing macro-economic environment, the Group may be exposed to the foreign exchange rate risk. The Group will closely monitor the volatility of foreign exchange rate and apply the appropriate hedging strategy as and when appropriate.

There was no equity fund raising by the Company during the Period under Review, nor were there any proceeds brought forward from any issue of equity securities made in previous financial years.

CHARGES ON THE GROUP'S ASSETS

As at 30 June 2019, assets with carrying amount of approximately HK$12.1 million (31 December 2018: HK$11.3 million) were pledged to banks in respect of banking facilities granted to the Group.

SIGNIFICANT INVESTMENT AND FUTURE PLAN

The Group beneficially owns certain equity interests of Changde Goldroc and Tianjin Rong Lian Hui Zhi Intelligence Packaging Technology Co., Ltd which are classified as investment in associates.

Looking ahead, as mentioned in the paragraph headed "PROSPECTS" above, the Group endeavours to generate high value adding service to our stakeholders, be geared with growth driver by organic growth and explore opportunities for strategic and synergetic partners including but not limited to merger and acquisition(s), and formation of joint venture(s) or other corporate action(s) in the future should they be in the interest of the Company and its shareholders as a whole. It does not preclude the possibility of fund raising when it is needed or opportunity arises.

HUMAN RESOURCES

As at 30 June 2019, the Group had 7 and 1,486 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 operates 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 appropriate 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.

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the Period under Review.

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the "Code") contained in Appendix 14 of the Listing Rules. For the Period under Review, 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, David (the Chairman of the Board), Mr. Chen Xiao Liang (the executive Director), Ms. Li Li (the non-executive Director) and Mr. Lui Tin Nang (the independent non-executive Director) were unable to attend the annual general meeting of the Company held on 5 June 2019 due to their other business engagement.

PURCHASE, SALE OR REDEMPTION OF SHARES

Neither the Company nor any of its subsidiaries has redeemed, purchased or sold any of the Company's shares during the Period under Review.

AUDIT COMMITTEE

The audit committee has reviewed with management the accounting principles and practices adopted by the Group and discussed internal control, risk management and financial reporting matters including a review of the unaudited condensed consolidated financial statements for the Period under Review with the Directors. In addition, the interim financial information of the Group for the Period under Review has also been reviewed by the independent auditor of the Company, Deloitte Touche Tohmatsu. The audit committee comprises the three independent non-executive Directors and the non-executive Director.

APPRECIATION

The Board would like to take this opportunity to express its gratitude to its customers and shareholders for their continuing support as well as its staff for their dedication and hard work.

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

Hong Kong, 28 August 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 Chief Executive Officer) Mr. Chen 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.