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 2019

FINANCIAL HIGHLIGHTS

- Revenue amounted to approximately HK$1,495.8 million (2018: HK$1,366.8 million), representing an increase of 9.4% from the previous year primarily attributable to increase in business volume as a result of restorative growth in China cigarette package market partially offset by slight decrease in average selling price during the year.
- Profit for the year attributable to the owners of the Company was approximately HK$175.9 million (2018: HK$169.4 million) representing an increase of 3.8% or HK$6.5 million.
- Earnings per share (both basic and diluted) for the year was HK11 cents (2018: HK11 cents).
- Final dividend for 2019 is HK19.13 cents per share.

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 2019 together with the comparative figures for the corresponding period in 2018 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

		2019	2018
	NOTES	***HK$'000***	*HK$'000*
Revenue	*3*	**1,495,833**	1,366,753
Cost of sales		**(1,148,171)**	(1,065,863)
Gross profit		**347,662**	300,890
Other income	*5*	**33,460**	32,244
Other gains and losses	*6*	**(24,049)**	(64,357)
Impairment losses on financial assets and contract assets, net of reversal		**(1,960)**	(6,218)
Selling and distribution expenses		**(57,011)**	(60,426)
Administrative expenses		**(83,458)**	(98,572)
Other expenses		**(3,100)**	(3,396)
Finance costs	*7*	**(19,678)**	(22,776)
Share of profits of associates		**41,751**	51,669
Share of (loss) profit of a joint venture		**(930)**	623
Gain on disposal of subsidiaries		**–**	91,681
Profit before taxation		**232,687**	221,362
Taxation	*8*	**(55,801)**	(46,930)
Profit for the year	*9*	**176,886**	174,432
Other comprehensive expense:			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		**(43,119)**	(132,393)
Total comprehensive income for the year		**133,767**	42,039
Profit for the year attributable to:			
Owners of the Company		**175,886**	169,383
Non-controlling interests		**1,000**	5,049
		176,886	174,432

	NOTES	**2019**	2018
		HK$'000	*HK$'000*
Total comprehensive income for the year attributable to:			
Owners of the Company		**133,370**	39,408
Non-controlling interests		**397**	2,631
		133,767	42,039

		2019	2018
		HK$	*HK$*
Earnings per share			
Basic	*10*	**0.11**	0.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2019

	NOTES	2019 HK$'000	2018 HK$'000
Non-current Assets			
Property, plant and equipment		**790,341**	790,586
Right-of-use assets		**103,596**	–
Prepaid lease payments		**–**	100,434
Investment properties		**23,076**	25,703
Goodwill		**1,025,495**	1,050,965
Intangible assets		**113,423**	163,765
Interests in associates		**423,245**	460,604
Interest in a joint venture		**7,676**	8,755
Deferred tax assets		**1,940**	200
Rental and other deposits paid		**20,249**	27,946
		2,509,041	2,628,958
Current Assets			
Inventories		**160,771**	163,766
Prepaid lease payments		**–**	2,425
Trade receivables	*12*	**557,708**	544,637
Contract assets		**170,724**	165,385
Other receivables, prepayments and refundable deposits		**35,936**	59,904
Tax recoverable		**2,329**	3,129
Pledged bank deposits		**9,476**	11,250
Bank balances and cash		**201,168**	355,508
		1,138,112	1,306,004
Current Liabilities			
Trade payables	*13*	**226,288**	229,676
Other payables and accruals		**92,568**	116,545
Lease liabilities		**4,354**	–
Purchase consideration payable for acquisition		**–**	12,776
Amounts due to non-controlling interests of subsidiaries		**8,290**	8,154
Bank borrowings		**256,462**	601,334
Bank overdrafts		**2,728**	19,897
Income tax payable		**32,921**	30,489
		623,611	1,018,871
Net Current Assets		**514,501**	287,133
Total Assets less Current Liabilities		**3,023,542**	2,916,091

	NOTES	2019 HK$'000	2018 HK$'000
Non-current Liabilities			
Government grants		**27,297**	30,175
Bank borrowings		**–**	18,750
Lease liabilities		**551**	–
Deferred tax liabilities		**69,518**	68,565
		97,366	117,490
Net assets		**2,926,176**	2,798,601
Capital and Reserves			
Share capital		**7,839**	7,839
Share premium and reserves		**2,896,462**	2,755,824
Equity attributable to owners of the Company		**2,904,301**	2,763,663
Non-controlling interests		**21,875**	34,938
Total Equity		**2,926,176**	2,798,601

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 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, 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 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 consolidated financial statements are presented in Hong Kong dollars ("HK$") as the Company's shares are listed on Stock Exchange.

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 (since 1 January 2019) or HKAS 17 (before application of HKFRS 16), 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

(i) Disaggregation of revenue from contracts with customers

	2019	2018
	HK$'000	*HK$'000*
Printing and manufacturing of cigarette packages and related materials		
— Printing of cigarette packages	**1,283,107**	1,175,388
— Manufacturing of paper packaging materials	**83,620**	61,528
Manufacturing of laminated papers	**42,028**	44,776
Sales of RFID products	**87,078**	85,061
	1,495,833	1,366,753

Timing of revenue recognition

	2019				
	Printing of cigarette packages	**Manufacturing of paper packaging materials**	**Manufacturing of laminated papers**	**Sales of RFID products**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***	***HK$'000***
A point in time	**–**	**83,620**	**–**	**87,078**	**170,698**
Over time	**1,283,107**	**–**	**42,028**	**–**	**1,325,135**
Total	**1,283,107**	**83,620**	**42,028**	**87,078**	**1,495,833**

	2018				
	Printing of cigarette packages	Manufacturing of paper packaging materials	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	1,175,388	61,528	44,776	85,061	1,366,753

Geographical markets

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

	2019			
	Manufacturing of paper packaging materials *HK$'000*	**Printing of cigarette packages** *HK$'000*	**Manufacturing of laminated papers** *HK$'000*	**Sales of RFID products** *HK$'000*
The People's Republic of China ("PRC")	**83,620**	**1,283,107**	**42,028**	**74,185**
Others *(Note)*	**–**	**–**	**–**	**12,893**
Total	**83,620**	**1,283,107**	**42,028**	**87,078**

	2018			
	Manufacturing of paper packaging materials *HK$'000*	Printing of cigarette packages *HK$'000*	Manufacturing of laminated papers *HK$'000*	Sales of RFID products *HK$'000*
PRC	61,258	1,175,388	44,776	56,405
Others *(Note)*	–	–	–	28,656
Total	61,258	1,175,388	44,776	85,061

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

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. 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.

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 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	**1,366,727**	**42,028**	**87,078**	**1,495,833**
Segment profit	**324,629**	**8,621**	**7,157**	**340,407**
Unallocated — other income and other gains and losses				**9,411**
Unallocated expenses				**(136,314)**
Finance costs				**(19,678)**
Share of profits of associates				**41,751**
Share of loss of a joint venture				**(930)**
Impairment loss on financial assets and contract assets, net of reversal				**(1,960)**
Profit before taxation				**232,687**

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

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

Segment profit represents the profit earned by each segment without allocation of corporate management expenses, directors' emoluments, share of profits of associates, share of (loss) profit of a joint venture, finance costs, 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.

5. OTHER INCOME

	2019	2018
	HK$'000	*HK$'000*
Interest income on bank deposits	**1,560**	1,157
Interest income on rental deposits	**26**	–
	1,586	1,157
Sales of scrap materials	**12,212**	11,671
Processing fee income	**537**	2,783
Rental income	**1,148**	3,256
Government grants *(Note)*	**17,327**	12,476
Sundry income	**650**	901
	33,460	32,244

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$2,523,000 (2018: HK$2,634,000) 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

	2019	2018
	HK$'000	*HK$'000*
Net foreign exchange losses	**(12,597)**	(10,518)
Gain from changes in fair value of financial assets at FVTPL	**1,896**	3,379
Gain (loss) from changes in fair value of financial liabilities at FVTPL	**1,190**	(482)
Gains (losses) on disposal of property, plant and equipment	**492**	(39)
Impairment losses on goodwill	**(15,000)**	(48,000)
Losses on disposal of partial equity interest in an associate	**–**	(8,536)
Impairment losses on property, plant and equipment	**(33)**	–
Gain arising from early termination of lease contracts	**20**	–
Other	**(17)**	(161)
	(24,049)	(64,357)

7. FINANCE COSTS

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**19,391**	22,776
Interest on lease liabilities	**287**	–
	19,678	22,776

8. TAXATION

	2019	2018
	HK$'000	*HK$'000*
Current tax:		
The PRC		
Enterprise Income Tax ("EIT")	**39,799**	30,327
Withholding tax	**16,408**	6,516
	56,207	36,843
(Overprovision) underprovision of EIT in prior year	**(475)**	208
Deferred tax:		
Current year	**69**	9,879
	55,801	46,930

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 a High-Tech Enterprise, were entitled to a reduced EIT rate of 15% for the years from 2016 to 2023.

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

	2019	2018
	HK$'000	*HK$'000*
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	**3,192**	3,286
Other staff costs		
Salaries and other benefits	**161,608**	152,210
Contributions to retirement benefits schemes	**15,021**	14,003
Total staff costs	**179,821**	169,499
Less: capitalised in inventories	**(20,008)**	(11,430)
included in cost of sales	**(126,037)**	(113,480)
	33,776	44,589
Auditor's remuneration	**4,372**	3,771
Cost of inventories recognised as expenses	**850,815**	718,809
Surcharges on governmental authorities and compensation expenses (included in other expenses)	**1,322**	–
Depreciation of property, plant and equipment	**92,250**	93,122
Depreciation of investment properties	**1,891**	2,017
Depreciation of right-of-use assets	**6,508**	–
Release of prepaid lease payments	**–**	2,263
Amortisation of intangible assets(included in cost of sales and administrative expenses)	**50,190**	46,759
Total depreciation and amortisation	**150,839**	144,161
Less: capitalised in inventories	**(17,855)**	(6,822)
included in cost of sales	**(105,338)**	(113,744)
	27,646	23,595
Operating lease rentals in respect of rented premises	**–**	8,236
Recognition of write-down on obsolete inventories (included in cost of sales)	**1,053**	592
Research and development costs recognised as an expense	**67,078**	60,549
Less: included in cost of sales	**(65,300)**	(57,153)
Included in other expenses	**1,778**	3,396
Shares of taxation of associates	**10,385**	13,298

10. EARNINGS PER SHARE

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

	2019	2018
	HK$'000	*HK$'000*
Earnings:		
Earnings for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**175,886**	169,383

	2019	2018
	'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 as there were no potential ordinary shares in issue during both years.

11. DIVIDENDS

	2019	2018
	HK$'000	*HK$'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2017 special dividend	**–**	199,905
	–	199,905

During the current year, the special dividend of HK$nil (2018: HK12.75 cents) per share, amounting approximately of nil (2018: HK$199,905,000) has been paid to shareholders.

The final dividend of HK19.13 cents in respect of the year ended 31 December 2019 (2018: HK$nil) per share, amounting to approximately HK$299,936,000 (2018: HK$nil), has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

12. TRADE RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables		
— third parties	**567,355**	546,799
— an associate	**4,229**	9,827
	571,584	556,626
Less: allowance for credit losses	**(13,876)**	(11,989)
	557,708	544,637

	2019	2018
	HK$'000	*HK$'000*
0–90 days	**502,367**	476,933
91–180 days	**36,188**	30,446
181–365 days	**4,842**	17,812
Over 365 days	**28,187**	31,435
	571,584	556,626

13. TRADE PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**226,288**	229,676

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

	2019	2018
	HK$'000	*HK$'000*
0–30 days	**118,923**	120,043
31–90 days	**77,417**	70,925
91–180 days	**12,286**	19,928
181–365 days	**4,079**	17,095
Over 365 days	**13,583**	1,685
	226,288	229,676

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 2019, bills amounting to HK$5,649,000 (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 sought legal advice in response to the Application and will categorically defend and challenge all the claims by the Claimant during the judicial process. In the opinion of the directors of the Company, it is not probable that the Group has an obligation to settle the claims based on the legal advice and no provision is considered to be recognised to the consolidated financial statements accordingly.

15. EVENTS AFTER THE REPORTING PERIOD

The outbreak of a novel coronavirus ("COVID-19") in mainland China and the subsequent quarantine measures imposed by the mainland Chinese government in early 2020 have certain impact on the business operations of the Group and its associates, as the main operations of the Group and its associates are located in mainland China. The Group's major subsidiaries and one of the associate had to stop their manufacturing activities since early February 2020 due to mandatory government quarantine measures in an effort to contain the spread of the COVID-19. The Group's major subsidiaries and the associate have resumed the normal business operation at the middle of February 2020.

The Group is taking actions to minimise the impact of the COVID-19 outbreak to its business operation. The Group adopted precautionary measures to protect its workplace from COVID-19. Besides, the Group is also closely communicating with the business partners including the Group's customers and suppliers in order to manage the schedules on the planning of sales and purchases. As the situation remains fluid as at the date these financial statements are authorised for issue, the directors of the Company considered that the financial effects of the COVID-19 on the Group's consolidated financial statements cannot be reasonably estimated. The actual financial effects will be reflected in the Group's future financial statements.

BUSINESS REVIEW

For the year ended 31 December 2019, the Company achieved revenue of approximately HK$1,495.8 million with profit attributable to owners amounting to approximately HK$175.9 million and basic earnings per share of approximately HK11 cents.

In 2019, global growth recorded its weakest pace since the global financial crisis a decade ago, reflecting common influences across countries. The year was haunted with vengeful lifts on tariffs and painstaking trade talks between US and China, the world's two biggest economies. Trade conflicts and associated uncertainty has taken a brief break in December after phase one of the trade deal was agreed and central banks racing for reversal of monetary policy back to quantitative easing. Despite the trade war and other economic headwinds, China managed to meet the growth rate of 6.1% in the year of 2019. Meanwhile, signs of economic challenge became more visible in term of falling profit in manufacturing sector and over gearing in finance sector. It was also comparatively a quiet year of major economic reforms by Chinese government except for the cut on value-added tax (VAT) rates and increased the scope of VAT deductions in order to boost consumption and stimulate economy.

After years of destocking, the production and sales of China cigarette industry showed exciting exuberance in the first quarter with steady cool-off for the remaining months, resulting in a low single-digit annual growth in quantity. This was consistent with China National Tobacco Corporation's strategy to balance between reasonable sustainable growth, tight balance and quantity control. On the other hand, the industry has recorded a historic high tax contribution to the government. During the year, the industry in general was marked with enhancement in product mix into high tier product and rapidly growing importance of cigarette of various size, length and features.

Printing and Manufacturing of Cigarette Package and Related Materials

The Group's cigarette package business has recorded a restorative growth during the year mainly in terms of business volume from the conventional cigarette package direct customers. The Company has proved its ability to outlive the continuous price pressure brought by mandatory tendering system and achieved improved profitability across all product tiers with simultaneous volume increase. The strategic vertical integration into package materials manufacturing has successfully helped lower the core costs within the supply chain which not only enhanced the Company's position in the tendering process on one hand but also reached into the business opportunities and markets untouched before on the other.

Manufacturing of Laminated Papers

The short-term decrease in business volume with major local customer has dampened the profitability in this segment.

Sales of RFID products

During the year, the profitability of RFID business has suffered due to the shake-up of a major foreign customer and the new retail project relating to unmanned stores and online shopping has not progressed at an expected pace. The Group's maneuver into replacement geographical markets has yet to yield better returns.

FINANCIAL REVIEW

Revenue

During the year, the revenue of the Group was approximately HK$1,495.8 million (2018: HK$1,366.8 million), which represents an increase of approximately HK$129.1 million or 9.4% as compared with 2018. The revenues of our business segment of (1) printing and manufacturing of cigarette package and related materials increased by 10.5% to HK$1,366.7 million, (2) manufacturing of laminated papers decreased by 6.1% to HK$42.0 million, and (3) sales of RFID products increased by 2.4% to HK$87.1 million.

The increase in revenue is mainly due to increase in business volume as a result of restorative growth in China cigarette package market partially offset by slight decrease in average selling price during the year.

Gross Profit

During the year, gross profit of the Group increased by approximately HK$46.7 million or 15.5% to HK$347.7 million as compared with 2018. The gross profit margin has increased from 22.2% in 2018 to 23.2% in 2019. The gross profit increase was mainly due to increase in business volume brought by growth in China cigarette package market during the year. The Group has successfully mitigated the sales price pressure by tight control over production costs and have the gross profit ratio improved.

Other Income

Other income increased by HK$1.2 million as compared with 2018. The increase is primarily attributable to (i) increase in government grant of HK$4.9 million; (ii) decrease in processing fee income of HK$2.2 million; (iii) decrease in rental income of HK$2.1 due to lesser idle industrial premises.

Other Gains and Losses

The net losses decreased by HK$40.3 million to HK$20.0 million. The decrease was mainly due to (i) decrease of goodwill impairment losses by HK$33.0 million to HK$15 million due to downward adjustment of a cash-generating unit ("CGU")'s business forecast and (ii) absence of HK$8.5 million losses on disposal of partial equity interest in an associate in 2018.

Impairment Losses

The assumptions and estimates are the same as or similar to those used in prior years and considered by the management to be reasonable and supportable by reference to the historical results save for the Xiangyang Jinfeihuan factory in Hubei ("CGU3").

For CGU3, the assumed gross profit margin has been adjusted downward from 21% to 18% due to prudent estimation of profitability of the subcontracting market which comprises higher proportion of business in CUG3 than the remaining group. These led to a further provision made for impairment losses of HK$15 million in 2019. However, the newly awarded tender of CGU3 is expected to yield a rising gross margin gradually back to 20%. Such assumptions are considered reasonable and supportable in view of encouraging orders on hand as at 31 December 2019. The impairment provision made on goodwill for CGU3 is considered reasonable based on the valuation by Jones Lang LaSalle, an independent valuer.

The recoverable amounts of the remaining CGUs were determined to be in excess of their respective carrying amounts. The management believes that the reasonable and supportable changes in the key assumptions would not cause the recoverable amount to fall below the carrying value of the respective CGUs.

Selling and Distribution Expenses

The selling and distribution expenses decreased by HK$3.4 million to HK$57.0 million. Less marketing expenses has been spent in promoting the application of RF technology and services to the conventional cigarette customers during the year.

Administrative Expenses and Other Expenses

During the year, administrative expenses and other expenses decreased by approximately HK$15.4 million or 15.1% to HK$86.6 million. The decrease was primarily due to the (i) decrease in legal expenses of HK$8.0 million; and (ii) decrease in staff costs of HK$7.1 million because of consolidation of administration functions and cutback of entertainment expenses.

Finance Costs

Finance costs decreased by 13.6% to approximately HK$19.7 million. It was mainly due to repayment of bank borrowings during the year.

Share of Profits of Associates

Share of profits of associates decreased by approximately HK$9.9 million to HK$41.8 million during the year. The decrease in net profit of our associates was mainly due to decrease in business volume of the Group's major associate, namely Changde Goldroc Rotogravure Printing Co. during the year when new tender did not come in full fledge.

Taxation

The effective tax rate of the Group increased from 21.2% to 24.0% in 2019. It was primarily due to absence of non-assessable profit related to disposal of subsidiary in 2018.

Profit for the Year Attributable to Owners of the Company

Profit attributable to the owners of the Company increased by 3.8% or by HK$6.5 million to HK$175.9 million.

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$1,366.7 million (2018: HK$1,236.9 million), (ii) manufacturing of laminated papers of approximately HK$42.0 million (2018: HK$44.8 million), and (iii) sales of RFID products of approximately HK$87.1 million (2018: HK$85.1 million). The earnings from the printing and manufacturing of cigarette packages and related materials, manufacturing of laminated papers and sales of RFID products was increased by 25.0% to approximately HK$324.6 million (2018: HK$259.8 million), decreased by 16.9% to approximately HK$8.6 million (2018: HK$10.4 million) , and decreased by 56.9% to approximately HK$7.2 million (2018: HK$16.6 million) respectively. Earnings from the printing and manufacturing of cigarette packages and related materials accounted for approximately 95.4% 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 2019, the Group had net current assets of HK$514.5 million (2018: HK$287.1 million), while the Group's cash and cash equivalents amounted to HK$201.2 million (2018: HK$355.6 million). As at 31 December 2019, the short-term interest-bearing bank borrowings of the Group amounted to HK$256.5 million (2018: HK$601.3 million). Carrying amounts of bank deposits pledged by the Group to secure the bank borrowings granted to the Group amounted to approximately HK$9.5 million (2018: HK$11.3 million). As at 31 December 2019, the Group's gearing ratio, represented by the amount of interest-bearing borrowings divided by shareholders equity, was reduced to 8.9% (as at 31 December 2018: 22.9%). As at 31 December 2018, the Group had capital commitments for purchase of property, plant and equipment which amounted to HK$95.5 million (2018: HK$67.1 million).

CONTINGENT LIABILITIES AND GUARANTEES

Save as disclosed in note 14 to the consolidated financial statements before, the Group did not provide any guarantees to third party and had no material contingent liabilities as at 31 December 2019.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal of subsidiaries or associated companies by the Group during the year ended 31 December 2019.

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 2019, the borrowings were mainly denominated in Hong Kong dollars and RMB, while the cash and cash equivalents held by the Group were mainly denominated in Hong Kong dollars and RMB. The Group's turnover is denominated in RMB, while its costs and expenses are mainly denominated in Hong Kong dollars and RMB. 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 RMB to presentation currency of Hong Kong dollar during the reporting period when RMB 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 RMB. 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 2019, assets with carrying amounts of approximately HK$9.5 million (31 December 2018: HK$11.3 million) were pledged to banks in respect of banking facilities granted to the Group.

HUMAN RESOURCES

As at 31 December 2019, the Group had 6 (2018: 11) and 1,490 (2018: 1,315) 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.

PROSPECTS

China has suffered deep economic damage from the coronavirus pandemic. According to figures recently released by the National Bureau of Statistics (NBS), retail sales of consumer goods dropped 20.5% year on year in January and February. Online sales of physical consumer goods increased 3%, accounting for about a fifth of overall retail sales. Industrial production fell 13.5%, while fixed-asset investment fell 24.5% in January-February, compared with 2019. The contraction in January and February data implies negative first quarter GDP growth. Analysts expect the government's 6% GDP growth target in 2020 be revised down significantly given domestic economic disruptions and the risk of global recession.

The National Bureau of Statistics also indicated that urban unemployment rate in February jumped to 6.2%, the highest since the official records were published. The Chinese Government's stern urge for maintaining employment in addition to commitment to President Xi's 2020 socio-economic goal is expected to pervade various restorative measures on the financial sector, fiscal policy, businesses capital expenditure and consumer spending for the rest of the year.

After an extended Lunar New Year holiday and the gradual release of lockdowns in various China major cities after taming of epidemic, the Company's various major manufacturing facilities in China, to a large extent, have resumed business since mid-February gradually. The most affected Hubei facilities have also become up and running again in mid-March. Though the Group's business in the first quarter of 2020 was inevitably affected, it is expected that the Group will undergo a satisfactory catchup in the second quarter from the conventional cigarette package market to cover up the lag in the first quarter.

Amid the double challenge from pandemic and trade war, the Group will keep striving for widening and deepening the existing conventional cigarette direct market by expanding its facilities in eastern and southern China for boutique package printing which has been on rapid growth in cigarette package market while also extrapolating these facilities into the other non-cigarette package arena.

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 recommended the payment of a final dividend for the year under review of HK19.13 cents per share totaling approximately HK$299,936,330.

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 2019, 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 executive Director) and Ms. Li Li (the 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.

REVIEW BY THE AUDIT COMMITTEE

The Company established the Audit Committee which consists of the three independent non-executive Directors, namely Mr. Lam Ying Hung, Andy, Mr. Lui Tin Nang and Mr. Siu Man Ho, Simon, and one non-executive Director, namely Ms. Li Li, and 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, 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 2019, the Audit Committee held two meetings and has reviewed, among other matters, the Company's financial statements and the Group's combined financial statements for the year ended 31 December 2018 and for the six months ended 30 June 2019, including the accounting principles and practices adopted by the Company and the Group. The Board has not taken a different view from that of the Audit Committee regarding the selections, appointment, resignation or dismissal of the external auditors.

The terms of reference of the Audit Committee are disclosed on the websites of the Company and the Stock Exchange.

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 2019 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 2019.

ANNUAL GENERAL MEETING

The 2020 annual general meeting of the Company ("2020 AGM") will be held in Hong Kong on or about 5 June 2020. Notice of the 2020 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 2020 AGM, the register of members of the Company will be closed from 1 June 2020 to 5 June 2020 (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 2020 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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 29 May 2020.

For determining the entitlement to receive the proposed final dividend, the register of members of the Company will be closed from 22 June 2020 to 24 June 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to be eligible to receive the proposed final dividend, all transfer of shares of the Company accompanied by the relevant share certificates and appropriate transfer forms must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on 19 June 2020.

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, 30 March 2020

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.