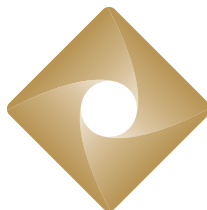


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## **BRILLIANT CIRCLE HOLDINGS INTERNATIONAL LIMITED**

### **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 2020**

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 2020 together with the comparative figures for the corresponding period in 2019 as follows:

### **CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*For the year ended 31 December 2020*

		<b>2020</b>	<b>2019</b>
	<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Revenue	4	<b>1,339,439</b>	1,495,833
Cost of sales		<b>(1,073,661)</b>	(1,148,171)
Gross profit		<b>265,778</b>	347,662
Other income	5	<b>46,939</b>	33,460
Other gains and losses	6	<b>(173,846)</b>	(24,049)
Impairment losses on financial assets and contract assets, net of reversal		<b>(2,267)</b>	(1,960)
Selling and distribution expenses		<b>(41,220)</b>	(57,011)
Administrative expenses		<b>(83,531)</b>	(83,458)
Other expenses		<b>(4,597)</b>	(3,100)
Finance costs	7	<b>(20,688)</b>	(19,678)
Share of profits of associates		<b>59,304</b>	41,751
Share of profit (loss) of a joint venture		<b>214</b>	(930)

	<i>NOTES</i>	<b>2020</b> <b>HK\$'000</b>	2019 HK\$'000
Profit before taxation		<b>46,086</b>	232,687
Taxation	8	<b>(37,114)</b>	(55,801)
<b>Profit for the year</b>	9	<b>8,972</b>	176,886
<b>Other comprehensive income (expense):</b>			
Item that will not be reclassified to profit or loss:			
Exchange differences on translation from functional currency to presentation currency		<b>134,615</b>	(43,119)
Total comprehensive income for the year		<b>143,587</b>	133,767
Profit for the year attributable to:			
Owners of the Company		<b>8,915</b>	175,886
Non-controlling interests		<b>57</b>	1,000
		<b>8,972</b>	176,886
Total comprehensive income for the year attributable to:			
Owners of the Company		<b>142,081</b>	133,370
Non-controlling interests		<b>1,506</b>	397
		<b>143,587</b>	133,767
		<b>2020</b>	2019
		<b>HK\$</b>	<b>HK\$</b>
<b>Earnings per share</b>			
Basic	10	<b>0.006</b>	0.112

# **CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

*At 31 December 2020*

		2020	2019
	NOTES	HK\$'000	HK\$'000
<b>Non-current Assets</b>			
Property, plant and equipment		902,392	790,341
Right-of-use assets		104,176	103,596
Investment properties		22,305	23,076
Goodwill		885,408	1,025,495
Intangible assets		72,351	113,423
Interests in associates		450,364	423,245
Interest in a joint venture		8,414	7,676
Deferred tax assets		1,333	1,940
Rental and other deposits paid		2,402	20,249
		<u>2,449,145</u>	<u>2,509,041</u>
<b>Current Assets</b>			
Inventories	12	112,491	160,771
Trade receivables	13	512,533	557,708
Contract assets	14	113,187	170,724
Other receivables, prepayments and refundable deposits		68,899	35,936
Tax recoverable		2,709	2,329
Pledged bank deposits		14,523	9,476
Bank balances and cash		315,391	201,168
		<u>1,139,733</u>	<u>1,138,112</u>
<b>Current Liabilities</b>			
Trade payables	15	214,037	226,288
Other payables and accruals		102,269	92,568
Lease liabilities		991	4,354
Amounts due to non-controlling interests of subsidiaries		2,484	8,290
Bank borrowings		411,206	256,462
Bank overdrafts		–	2,728
Income tax payable		16,503	32,921
		<u>747,490</u>	<u>623,611</u>
<b>Net Current Assets</b>		<u>392,243</u>	<u>514,501</u>
<b>Total Assets less Current Liabilities</b>		<u>2,841,388</u>	<u>3,023,542</u>

	2020	2019
<i>NOTES</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
<b>Non-current Liabilities</b>		
Government grants	28,383	27,297
Lease liabilities	302	551
Deferred tax liabilities	42,876	69,518
	<u>71,561</u>	<u>97,366</u>
<b>Net assets</b>	<u>2,769,827</u>	<u>2,926,176</u>
<b>Capital and Reserves</b>		
Share capital	7,839	7,839
Share premium and reserves	2,738,607	2,896,462
	<u>2,746,446</u>	<u>2,904,301</u>
Equity attributable to owners of the Company	23,381	21,875
Non-controlling interests		
<b>Total Equity</b>	<u>2,769,827</u>	<u>2,926,176</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2020*

## 1. GENERAL INFORMATION

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 consolidated financial statements are presented in Hong Kong dollars (“HK\$”), which is different from the Company’s functional currency of Renminbi (“RMB”). The directors of the Company adopted HK\$ as presentation currency. For the convenience of the financial statements users, the consolidated financial statements are presented in HK\$, as the Company’s shares are listed on the Stock Exchange.

## 2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in HKFRS Standards and the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKAS 8	Definition of Material
Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	Interest Rate Benchmark Reform

### 2.1 Impacts on Application of Amendments to HKAS 1 and HKAS 8 Definition of Material

The Group has applied the Amendments to HKAS 1 and HKAS 8 for the first time in the current year. The amendments provide a new definition of material that states “information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.” The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the Amendments to References to the Conceptual Framework in HKFRS Standards and the amendments to HKFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

***New and amendments to HKFRSs in issue but not yet effective***

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions <sup>4</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform — Phase 2 <sup>5</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018–2020 <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 June 2020.

<sup>5</sup> Effective for annual periods beginning on or after 1 January 2021.

Except for the amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

***Amendments to HKFRS 3 Reference to the Conceptual Framework***

The amendments:

- update a reference in HKFRS 3 Business Combinations so that it refers to the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the “Conceptual Framework”) instead of Framework for the Preparation and Presentation of Financial Statements (replaced by the Conceptual Framework for Financial Reporting 2010 issued in October 2010);
- add a requirement that, for transactions and other events within the scope of HKAS 37 Provisions, Contingent Liabilities and Contingent Assets or HK(IFRIC)-Int 21 Levies, an acquirer applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and
- add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The application of the amendments is not expected to have significant impact on the financial position and performance of the Group.

***Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)***

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:
  - (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and
  - (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date.
- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 Financial Instruments: Presentation.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Based on the Group's outstanding liabilities as at 31 December 2020, the application of the amendments will not result in reclassification of the Group's liabilities.

### **3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Basis of preparation of consolidated financial statements**

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange 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 “Leases” and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 “Inventories” or value in use in HKAS 36 “Impairment of Assets”.

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

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

#### 4. REVENUE

##### (i) Disaggregation of revenue from contracts with customers

	2020 <i>HK\$’000</i>	2019 <i>HK\$’000</i>
Printing and manufacturing of cigarette packages and related materials		
— Printing of cigarette packages	1,133,380	1,283,107
— Manufacturing of paper packaging materials	94,366	83,620
Manufacturing of laminated papers	35,537	42,028
Sales of RFID products	76,156	87,078
	<u>1,339,439</u>	<u>1,495,833</u>

##### *Timing of revenue recognition*

	2020				
	Printing of cigarette packages <i>HK\$'000</i>	Manufacturing of paper packaging materials <i>HK\$'000</i>	Manufacturing of laminated papers <i>HK\$'000</i>	Sales of RFID products <i>HK\$'000</i>	Total <i>HK\$'000</i>
A point in time	–	94,366	–	76,156	170,522
Over time	1,133,380	–	35,537	–	1,168,917
Total	1,133,380	94,366	35,537	76,156	1,339,439



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

*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.

	2020				
	Printing of cigarette packages <i>HK\$'000</i>	Manufacturing of paper packaging materials <i>HK\$'000</i>	Manufacturing of laminated papers <i>HK\$'000</i>	Sales of RFID products <i>HK\$'000</i>	
PRC	1,133,380	94,366	35,537	68,421	
Others ( <i>Note</i> )	–	–	–	7,735	
Total	<u>1,133,380</u>	<u>94,366</u>	<u>35,537</u>	<u>76,156</u>	

	2019				
	Printing of cigarette packages <i>HK\$'000</i>	Manufacturing of paper packaging materials <i>HK\$'000</i>	Manufacturing of laminated papers <i>HK\$'000</i>	Sales of RFID products <i>HK\$'000</i>	
PRC	1,283,107	83,620	42,028	74,185	
Others ( <i>Note</i> )	–	–	–	12,893	
Total	<u>1,283,107</u>	<u>83,620</u>	<u>42,028</u>	<u>87,078</u>	

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

## 5. OTHER INCOME

	2020 HK\$'000	2019 HK\$'000
Interest income on bank deposits	4,464	1,560
Interest income on rental deposits	24	26
	<u>4,488</u>	<u>1,586</u>
Sales of scrap materials	10,916	12,212
Processing fee income	910	537
Rental income	2,622	1,148
Government grants ( <i>Note</i> )	24,789	17,327
Sundry income	3,214	650
	<u>46,939</u>	<u>33,460</u>

*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\$2,079,000 (2019: HK\$2,523,000) 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.

During the current year, the Group recognised government grants of HK\$1,505,000 in respect of COVID-19-related subsidies.

## 6. OTHER GAINS AND LOSSES

	2020 HK\$'000	2019 HK\$'000
Net foreign exchange gains (losses)	1,095	(12,597)
Gain from changes in fair value of financial assets at FVTPL	132	1,896
Gain from changes in fair value of financial liabilities at FVTPL	–	1,190
Gains on disposal of property, plant and equipment	1,024	492
Impairment losses on goodwill	(176,000)	(15,000)
Impairment losses on property, plant and equipment	(27)	(33)
Gain arising from early termination of lease contracts	8	20
Others	(78)	(17)
	<u>(173,846)</u>	<u>(24,049)</u>

## 7. FINANCE COSTS

	2020 HK\$'000	2019 HK\$'000
Interest on bank loans and overdrafts	20,570	19,391
Interest on lease liabilities	118	287
	<u>20,688</u>	<u>19,678</u>

## 8. TAXATION

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Current tax:		
The PRC		
Enterprise Income Tax (“EIT”)	29,575	39,799
Withholding tax	36,851	16,408
	<u>66,426</u>	<u>56,207</u>
Overprovision of EIT in prior year	<u>(1,209)</u>	<u>(475)</u>
Deferred tax:		
Current year	<u>(28,103)</u>	<u>69</u>
	<u><u>37,114</u></u>	<u><u>55,801</u></u>

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% (2019: 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 2020 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

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Profit for the year has been arrived at after charging (crediting):		
Staff costs:		
Directors' emoluments	4,610	3,192
Other staff costs		
Salaries and other benefits	160,042	161,608
Contributions to retirement benefits schemes	7,668	15,021
	<u>172,320</u>	<u>179,821</u>
Total staff costs	172,320	179,821
Less: capitalised in inventories	(18,968)	(20,008)
included in cost of sales	<u>(118,071)</u>	<u>(126,037)</u>
	<u>35,281</u>	<u>33,776</u>
Auditor's remuneration	3,423	4,372
Cost of inventories recognised as expenses including	808,612	850,815
recognition of write-down on obsolete inventories		
amounting to HK\$4,678,000 (2019: HK\$1,053,000)	4,678	1,053
Surcharges paid to governmental authorities (included in other expenses)	–	1,322
Depreciation of property, plant and equipment	108,427	92,250
Depreciation of investment properties	2,176	1,891
Depreciation of right-of-use assets	6,017	6,508
Amortisation of intangible assets (included in cost of sales and		
administrative expenses)	<u>41,769</u>	<u>50,190</u>
	<u>158,389</u>	<u>150,839</u>
Total depreciation and amortisation	158,389	150,839
Less: capitalised in inventories	(17,744)	(17,855)
included in cost of sales	<u>(109,195)</u>	<u>(105,338)</u>
	<u>31,450</u>	<u>27,646</u>
Research expenses	75,216	67,078
Less: included in cost of sales	<u>(74,073)</u>	<u>(65,300)</u>
	<u>1,143</u>	<u>1,778</u>
Included in other expenses	1,143	1,778
Shares of taxation of associates	<u>12,256</u>	<u>10,385</u>

## 10. EARNINGS PER SHARE

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

	2020 HK\$'000	2019 HK\$'000
<b>Earnings:</b>		
Earnings for the purpose of basic earnings per share		
Profit for the year attributable to owners of the Company)	<u>8,915</u>	<u>175,886</u>
	2020 '000	2019 '000
<b>Number of shares:</b>		
Weighted average number of ordinary shares in issue for the purpose of basic earnings per share	<u>1,567,885</u>	<u>1,567,885</u>

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

## 11. DIVIDENDS

	2020 HK\$'000	2019 HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
— 2019 final dividend, paid HK19.13 cents per share	<u>299,936</u>	<u>—</u>
	<u>299,936</u>	<u>—</u>

A dividend of HK10 cents per share for the year ended 31 December 2020, amounting to approximately HK\$156,789,000 has been proposed by the Board of the Company and will be subject to approval by the shareholders at the forthcoming annual general meeting.

## 12. INVENTORIES

	2020 HK\$'000	2019 HK\$'000
Raw materials	98,186	151,272
Work in progress	6,159	327
Finished goods	<u>8,146</u>	<u>9,172</u>
	<u>112,491</u>	<u>160,771</u>

During the year, there was a decrease in the net realisable value of certain raw materials due to stock surplus. As a result, a recognition of write-down on obsolete inventories of HK\$4,678,000 (2019: HK\$1,053,000) due to the decrease of net realisable value has been recognised in the current year.

### 13. TRADE RECEIVABLES

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
Trade receivables		
— third parties	521,776	567,355
— an associate	—	4,229
	<u>521,776</u>	<u>571,584</u>
Less: allowance for credit losses	<u>(9,243)</u>	<u>(13,876)</u>
	<u><u>512,533</u></u>	<u><u>557,708</u></u>

As at 1 January 2019, trade receivables from contracts with customers amounted to HK\$544,637,000.

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 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.

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
0–90 days	462,583	502,367
91–180 days	39,828	36,188
181–365 days	5,293	4,842
Over 365 days	14,072	28,187
	<u>521,776</u>	<u>571,584</u>

### 14. CONTRACT ASSETS

	2020 <i>HK\$'000</i>	2019 <i>HK\$'000</i>
<b>Contract assets:</b>		
Printing of manufacturing of cigarette packages and related materials	112,528	168,760
Manufacturing of laminated papers	843	2,095
Less: allowance for credit losses	<u>(184)</u>	<u>(131)</u>
	<u><u>113,187</u></u>	<u><u>170,724</u></u>

As at 1 January 2019, contract assets amounted to HK\$165,385,000.

The contract assets primarily relate to the Group's right to consideration for work completed and not billed because the rights are conditioned on the Group's future performance in delivering the goods to the customers at the reporting date on provision of printing of cigarette package and manufacturing of laminated papers. The contract assets are transferred to trade receivables when the rights become unconditional. The Group typically transfers the contract assets to trade receivables when the products are delivered and accepted by the customers.

The consideration is payable on the earlier of the delivery and acceptance of the finished goods by customers or notice from the customer to cancel the order. If the customer cancels the order, the Group is immediately entitled to receive payment for work done to date.

## 15. TRADE PAYABLES

	2020 HK\$'000	2019 HK\$'000
Trade payables	<u>214,037</u>	<u>226,288</u>

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

	2020 HK\$'000	2019 HK\$'000
0–30 days	135,197	118,923
31–90 days	58,903	77,417
91–180 days	8,245	12,286
181–365 days	3,855	4,079
Over 365 days	<u>7,837</u>	<u>13,583</u>
	<u>214,037</u>	<u>226,288</u>

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 2020, bills amounting to HK\$13,686,000 (2019: HK\$5,649,000) were transferred to suppliers for settling trade payables.

## 16. 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.

During the current year, the Shenzhen Court of International Arbitration issued its verdict and ruled that the Company is liable to compensate the ex-staff in the amount of HK\$20,000,000. The directors of the Company consider that all allegations in the Application are unfounded and without merits, and the arbitration is invalid. The Company has applied for cancellation of the arbitration to Shenzhen Intermediate People’s Court after consultation with its legal adviser. As advised, the arbitration is invalid due to (i) the matters in the verdict not falling within the scope of the arbitration agreement; (ii) Shenzhen Court of International Arbitration issuing a verdict on matters out of its jurisdiction scope when determining the compensation amount; (iii) the arbitration procedures being in violation of the arbitration rules. In this regard, the Group has categorically defended and challenged all the claims by the Claimant during the judicial process. In the opinion of the directors of the Company, it’s not probable that a material outflow of resources will be required based on the legal advice and no provision is considered to be recognised to the consolidated financial statements accordingly.

## BUSINESS REVIEW

The year 2020 was an extraordinary year in Chinese history. Facing the severe and complicated domestic and international environment, especially the severe impact of the Novel Coronavirus (COVID-19), all departments in all regions have put the safety of the people as top priority, on the general keynote of seeking progress while maintaining stability, and on coordinating the work of epidemic prevention and control with economic and social development. Coupled with increased macro policy countermeasures, significant strategic results have been achieved in the prevention and control of the epidemic. The main objectives of economic and social development have been accomplished and achieved results that were better than expected. Finally, China achieved growth of 2.3%, which is well below the 6% or higher growth rate that has prevailed in recent years, but by far the best performance of any major global economy.

In 2020, China's cigarette production increased by 1.26% year-on-year, representing the highest rate of production growth in nearly five years, and cigarette sales in China increased by 0.48% year-on-year, representing the highest volume growth in nearly three years. In general, it can be seen that the tobacco industry's production and sales volumes continued to grow steadily, and the economic performance of the tobacco industry will be generally positive with the further implementation of national policies. On the other hand, the domestic environmental protection policy has become more stringent in recent years, the increase in the prices of raw materials such as paper, the tightening of tobacco control policies, the supply-side reform of the tobacco industry, tendering and the continuous efforts of customers to reduce costs and increase efficiency and restructuring have also put certain pressure on the Group's operations. Fierce competition in the industry remains inevitable and will be further characterised by price wars, which was particularly evident in 2020. Facing the severe competitive environment in the industry, the Group has adopted a series of measures, including strengthening production cost control, improving production efficiency, enhancing inventory management, stepping up collection efforts on accounts receivable and controlling capital costs, to cope with further price reductions and intensified competition brought about by tenders, as well as the impact of rising raw material prices.

Tender prices have fallen amidst a continuing trend of cost reduction and efficiency gains by our subscribers resulting in lower sales volumes for the Group. The Group's total revenue decreased by 10.5% from approximately HK\$1,495.8 million in 2019 to approximately HK\$1,339.4 million in 2020. As a result of the above cost reduction and efficiency measures, the gross profit margin in 2020 only slightly decreased by 3.4% to 19.8% compared to the same period last year.

During the period under review, Shenzhen Kecai Printing Co., Limited ("Kecai"), an indirect wholly-owned subsidiary of the Company established in the People's Republic of China, has not successfully bid its tender for 2021 and 2022 orders from one of its major customers in Sichuan Province. This customer was one of the Group's five largest customers in 2020. The failure to successfully bid for the tender may have an adverse impact on the overall revenue and profitability of the Group for the coming years. The Group recognised an impairment loss on goodwill of Kecai of approximately HK\$173.0 million for the year ended 31 December 2020 as its recoverable amount was less than the carry value.



## **FINANCIAL REVIEW**

### **REVENUE**

The Group recorded a total revenue of approximately HK\$1,339.4 million in 2020, representing a decrease of 10.5% as compared to approximately HK\$1,495.8 million in 2019. The revenue was generated from three business segments: (i) the printing and manufacturing of cigarette packages and related materials of approximately HK\$1,227.7 million (2019: HK\$1,366.7 million), (ii) manufacturing of laminated papers of approximately HK\$35.5 million (2019: HK\$42.0 million), and (iii) sales of RFID products of approximately HK\$76.2 million (2019: HK\$87.1 million). The revenue from the printing and manufacturing of cigarette packages and related materials segment accounted for approximately 91.7% of the total revenue for 2020 (2019: 91.4%). The decrease in total revenue is mainly due to decrease in sales volume of cigarette package, which was partially offset by slight increase in average selling price resulted from sales of products with higher profit margin.

### **GROSS PROFIT**

Gross profit decreased by 23.6% from approximately HK\$347.7 million for the year ended 31 December 2019 to approximately HK\$265.8 million for the year ended 31 December 2020, primarily reflecting a decrease in revenue. As a result of cost reduction and efficiency measures implemented during the year under review, the gross profit margin only slightly decreased by 3.4% from 23.2% for the year ended 31 December 2019 to 19.8% for the year ended 31 December 2020.

### **OTHER INCOME**

Other income increased by 40.3% from approximately HK\$33.4 million for the year ended 31 December 2019 to approximately HK\$47.0 million for the year ended 31 December 2020 due to the increase in government grant of approximately HK\$7.5 million and interest income on bank deposits of approximately HK\$2.9 million.

### **OTHER GAINS AND LOSSES**

Other losses increased by 622.9% from approximately HK\$24.0 million for the year ended 31 December 2019 to approximately HK\$173.8 million for the year ended 31 December 2020 was mainly attributable to the increase in impairment losses on goodwill by approximately HK\$161.0 million to HK\$176.0 million of which approximately HK\$173.0 million was recognized for Kecai as its recoverable amount was less than the carry value as at 31 December 2020.

### **SELLING AND DISTRIBUTION EXPENSES**

The selling and distribution expenses decreased by 27.7% from approximately HK\$57.0 million for the year ended 31 December 2019 to approximately HK\$41.2 million for the year ended 31 December 2020 which was primarily attributable to less marketing expenses having been spent on promoting services to the cigarette packages customers during the year.

## **ADMINISTRATIVE EXPENSES AND OTHER EXPENSES**

The administrative expenses and other expenses remained relatively stable in 2019 and 2020, only slightly increased by 1.8% from approximately HK\$86.6 million for the year ended 31 December 2019 to approximately HK\$88.1 million for the year ended 31 December 2020.

## **FINANCE COSTS**

The finance costs remained stable at approximately HK\$20.0 million in 2019 and 2020.

## **SHARE OF PROFITS OF ASSOCIATES**

The share of profits of associates increased by 42.0% from approximately HK\$41.7 million for the year ended 31 December 2019 to approximately HK\$59.3 million for the year ended 31 December 2020 due to improvement in profitability of the Group's major associate namely Changde Goldroc Rotogravure Printing Co. ("**Changde Goldroc**"). Changde Goldroc is principally engaged in the provision of cigarette printing package services. The Group beneficially owns RMB50,546,120 of its registered capital, representing 31% of the total registered capital of RMB163,052,000. The profit of Changde Goldroc increased by 31.9% from approximately HK\$145.7 million for the year ended 31 December 2019 to approximately HK\$192.3 million for the year ended 31 December 2020. Such increase was primarily attributable to (i) the improvement of the product mix; (ii) the strengthening of the production cost control and improved production efficiency; and (iii) the reduction or exemption in corporate social insurance premiums charged by local government in response to the impact of the epidemic. The fair value of Changde Goldroc as at 31 December 2020 was approximately HK\$1,425.3 million (2019: approximately HK\$1,338.5 million). The carrying amount of the Group's interest in Changde Goldroc was approximately HK\$450.4 million as at 31 December 2020 (2019: approximately HK\$422.6 million), i.e. more than 5% of the Group's total assets of HK\$3,588.9 million as at 31 December 2020. During the year under review, the Group received dividend of approximately HK\$58.5 million (2019: HK\$73.2 million) from Changde Goldroc. The Group holds the investment in Changde Goldroc for stable earnings and dividend income in view of its stable business with the local customer.

## **TAXATION**

The effective tax rate of the Group increased from 24.0% in 2019 to 80.5% in 2020. Such increase was primarily due to the recognition of the impairment losses on goodwill, which is not deductible for tax purpose.

## **PROFIT FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY**

As a result of the foregoing, the profit attributable to the owners of the Company decreased by 94.9% from approximately HK\$175.9 million for the year ended 31 December 2019 to approximately HK\$8.9 million for the year ended 31 December 2020.

## OTHER PERFORMANCE INDICATORS

The following table sets forth other performance indicators of the Group as at the dates or for the years indicated:

	As at or for the year ended 31 December	
	2020	2019
Current Ratio ( <i>Note 1</i> )	<b>1.5 times</b>	1.8 times
Quick Ratio ( <i>Note 2</i> )	<b>1.4 times</b>	1.6 times
Return on equity ( <i>Note 3</i> )	<b>0.3%</b>	6.2%
Return on total assets ( <i>Note 4</i> )	<b>0.2%</b>	4.6%

### Notes:

- (1) Current ratio is calculated based on total current assets of the Group divided by total current liabilities of the Group as at the end of the respective year.
- (2) Quick ratio is calculated based on total current assets of the Group less inventories of the Group divided by total current liabilities of the Group as at the end of the respective year.
- (3) Return on equity is calculated by dividing profit attributable to owners of the Company for the year by the arithmetic mean of the opening and closing balance of total equity attributable to owners of the Company.
- (4) Return on total assets is calculated by dividing profit attributable to owners of the Company for the year by the arithmetic mean of the opening and closing balance of total assets of the Group.

### Current ratio and quick ratio

The Group's current ratio and quick ratio as at 31 December 2020 remained relatively stable at 1.5 times (2019: 1.8 times) and 1.4 times (2019: 1.6 times), respectively.

### Return on equity and return on total assets

The Group's return on equity decreased from 6.2% in 2019 to 0.3% in 2020 and the Group's return on total assets decreased from 4.6% in 2019 to 0.2% in 2020, which was primarily due to the decrease in the profit attributable to owners of the Company for 2020 as compared to that of 2019.

## **LIQUIDITY AND CAPITAL RESOURCES**

The Group's financial position remains solid and the Group possessed sufficient cash to meet its commitments and working capital requirements. As at 31 December 2020, the Group had net current assets of approximately HK\$392.2 million (2019: approximately HK\$514.5 million) of which cash and cash equivalents were approximately HK\$315.4 million (2019: approximately HK\$201.2 million) and were denominated in RMB, US\$ and HK\$ as at 31 December 2020.

As at 31 December 2020, the Group had outstanding bank borrowings of approximately HK\$411.2 million (2019: approximately HK\$256.5 million) which shall be repaid within 1 year. The gearing ratio as at 31 December 2020 was 14.8% (2019: 8.8%), which is calculated by dividing the total bank borrowings by the total equity.

## **CHARGES ON ASSETS**

As at 31 December 2020, assets with carrying amounts of approximately HK\$14.5 million (31 December 2019: HK\$9.5 million) were pledged to banks in respect of bank borrowings granted to the Group.

## **CONTINGENT LIABILITIES**

Save as disclosed in note 16 to the consolidated financial statements, the Group had no material contingent liabilities as at 31 December 2020.

## **CAPITAL COMMITMENTS**

As at 31 December 2020, the Group had capital commitment amounted to approximately HK\$76.4 million (31 December 2019: approximately HK\$95.5 million) in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements.

## **SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIALS INVESTMENTS OR CAPITAL ASSETS**

Save for Changde Goldroc, the particulars of which are disclosed in the above section headed "Share of profits of associates", there were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the year ended 31 December 2020. Save as disclosed in this announcement, there was no plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

## **HUMAN RESOURCES**

As at 31 December 2020, the Group had 1,150 employees (2019: 1,501). 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.

## **IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD**

No important events affecting the Group has taken place since 31 December 2020 and up to the date of this announcement.

## **PROSPECTS**

In 2020, the tobacco industry adhered to the general keynote of "seeking progress while maintaining stability" to provide a strong guarantee for continued growth in 2021. We believe that the tobacco industry will remain stable in the long term, as its steady development is of great importance to the country's revenue generation. In 2021, the Group will steadfastly increase its development in the tobacco industry and always make cigarette packaging the solid foundation of the Group's development. In addition to increasing tenders, we will also actively expand into other packaging markets. The Group will also continue to reduce the pressure of declining gross profit through cost reduction and efficiency enhancement and resource consolidation measures.

## **FINAL DIVIDENDS**

The Board recommended the payment of a final dividend for the year ended 31 December 2020 of HK10 cents (2019: HK19.13 cents) per share. Subject to the approval of the shareholders at the forthcoming annual general meeting of the Company (the "AGM"), the proposed final dividend will be payable on or about 5 July 2021 to shareholders whose names appear on the register of members of the Company on 25 June 2021.

## **CLOSURE OF REGISTER OF MEMBERS**

For determining the entitlement to attend and vote at the AGM, the register of members of the Company will be closed from 7 June 2021 to 11 June 2021 (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 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 4 June 2021.

For determining the entitlement to receive the proposed final dividend (subject to the approval by the shareholders at the AGM), the register of members of the Company will be closed from 22 June 2021 to 25 June 2021 (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 21 June 2021.

## **COMPLIANCE WITH MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Companies (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding directors' securities transactions. Having made specific enquiries to all the Directors of the Company, each of the Directors has confirmed that he/she has complied with the required standards set out in the Model Code during the year ended 31 December 2020.

## **COMPLIANCE WITH CODE ON CORPORATE GOVERNANCE PRACTICES**

The Company is committed to high standards of corporate governance and recognises that good corporate governance is important for the long-term success of the Company's business. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Listing Rules. During the year ended 31 December 2020, the Company has complied in general with the CG Code, except code provision A.6.7 of the CG Code as Ms. Li Li (the non-executive Director) was unable to attend the annual general meeting of the Company held on 5 June 2020 due to other business engagement.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining high standards of corporate governance.

## **REVIEW BY AUDIT COMMITTEE**

The Audit Committee of the Company comprises one non-executive Director, namely Ms. Li Li and three independent non-executive Directors, namely Mr. Lam Ying Hung, Andy, Mr. Lui Tin Nang and Mr. Siu Man Ho, Simon. Mr. Lui Tin Nang is the chairman of the Audit Committee, who possesses suitable professional qualifications. The Audit Committee has reviewed the audited financial statements for the year ended 31 December 2020 in conjunction with the Company's auditors and management and has also discussed auditing, risk management, internal control and financial reporting matters including accounting practices and principles adopted by the Group.

## **SCOPE OF WORK OF THE AUDITORS**

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2020 have been agreed by the Group's auditors, Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by 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 Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by 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 2020.

## **PUBLICATION OF 2020 ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the Company's website ([www.bcghk.cn](http://www.bcghk.cn)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)). The Company's annual report for the year ended 31 December 2020 and notice of the AGM will be made available on the websites of the Company and the Stock Exchange and will be despatched to the shareholders of the Company in due course.

By Order of the Board of  
**Brilliant Circle Holdings International Limited**  
**Chen Xiao Liang**  
*Chairman*

Hong Kong, 30 March 2021

*As at the date of this announcement, the Board comprises four executive Directors, namely, Mr. Chen Xiao Liang (Chairman), Mr. Qin Song (Vice Chairman and Chief Executive Officer), Mr. Huang Wanru and Ms. Zheng Jinghui, one non-executive Director, namely, Ms. Li Li, and three independent non-executive Directors, namely, Mr. Lam Ying Hung, Andy, Mr. Lui Tin Nang and Mr. Siu Man Ho, Simon.*