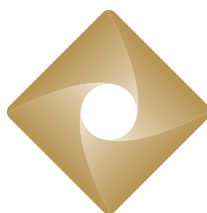


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BRILLIANT CIRCLE HOLDINGS INTERNATIONAL LIMITED

貴聯控股國際有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 1008)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “Board”) of directors (the “Directors”) of Brilliant Circle Holdings International Limited (the “Company”) is pleased to announce the unaudited condensed consolidated results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2021 (the “Period under Review”) together with the comparative figures for the corresponding period in 2020 as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
	<i>Notes</i>	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Revenue	4	451,149	615,641
Cost of sales		(382,908)	(480,289)
Gross profit		68,241	135,352
Other income		16,650	27,107
Other gains and losses	7	(35,938)	(4,094)
Reversal (Provision) for impairment losses on financial assets and contract assets, net		4,554	(2,015)
Selling and distribution expenses		(11,101)	(22,100)
Administrative expenses		(50,986)	(39,178)
Other expenses		(1,394)	(7,277)
Finance costs	8	(8,716)	(9,038)
Share of result of associates		37,723	22,327
Share of result of a joint venture		256	131
Profit before taxation	8	19,289	101,215
Taxation	6	(2,034)	(18,793)
Profit for the period		17,255	82,422

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
		HK\$'000	HK\$'000
<i>Notes</i>			
Other comprehensive income (loss):			
<i>Items that will not be reclassified to profit or loss in subsequent periods</i>			
Exchange differences arising on translation to presentation currency		<u>19,679</u>	<u>(50,201)</u>
Total comprehensive income for the period		<u>36,934</u>	<u>32,221</u>
Profit (Loss) for the period attributable to:			
Owners of the Company		16,033	82,997
Non-controlling interests		<u>1,222</u>	<u>(575)</u>
		<u>17,255</u>	<u>82,422</u>
Total comprehensive income (losses) attributable to:			
Owners of the Company		37,173	33,379
Non-controlling interests		<u>(239)</u>	<u>(1,158)</u>
		<u>36,934</u>	<u>32,221</u>
		HK\$	HK\$
Earnings per share			
Basic and diluted	<i>10</i>	<u>0.01</u>	<u>0.05</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2021

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	Notes		
Non-current Assets			
Property, plant and equipment		895,084	902,392
Right-of-use assets		103,099	104,176
Investment properties		50,967	22,305
Goodwill		847,512	885,408
Intangible assets		52,289	72,351
Interests in associates		415,628	450,364
Interest in a joint venture		8,749	8,414
Deferred tax assets		607	1,333
Rental and other deposits paid		2,705	2,402
		<u>2,376,640</u>	<u>2,449,145</u>
Current Assets			
Inventories		122,576	112,491
Trade receivables	11	329,604	512,533
Contract assets		127,434	113,187
Other receivables, prepayments and refundable deposits		79,153	68,899
Tax recoverable		2,932	2,709
Pledged bank deposits		1,825	14,523
Bank balances and cash		405,528	315,391
		<u>1,069,052</u>	<u>1,139,733</u>

		30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
	<i>Notes</i>		
Current Liabilities			
Trade payables	12	164,084	214,037
Other payables and accruals		91,925	102,269
Lease liabilities		320	991
Amounts due to non-controlling interests of subsidiaries		2,507	2,484
Bank borrowings		294,735	411,206
Dividends payable		156,789	–
Income tax payable		15,653	16,503
		726,013	747,490
Net Current Assets		343,039	392,243
Total Assets less Current Liabilities		2,719,679	2,841,388
Non-current Liabilities			
Government grants		26,453	28,383
Lease liabilities		154	302
Deferred tax liabilities		43,100	42,876
		69,707	71,561
Net Assets		2,649,972	2,769,827
Capital and Reserves			
Share capital		7,839	7,839
Reserves		2,618,991	2,738,607
Equity attributable to owners of the Company		2,626,830	2,746,446
Non-controlling interests		23,142	23,381
Total Equity		2,649,972	2,769,827

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2021

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 in Hong Kong is Room 1201A, 12/F, Capital Centre, 151 Gloucester Road, Wanchai, Hong Kong.

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

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

2. BASIS OF PREPARATION

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

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to Hong Kong Financial Reporting Standards (“HKFRSs”), the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2021 are the same as those presented in the Group’s annual financial statements for the year ended 31 December 2020.

Application of amendments to HKFRSs

In the current interim period, the Group has applied the following amendments to HKFRSs issued by the HKICPA, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2021 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to HKFRS 16

Covid-19-Related Rent Concessions

Amendments to HKAS 39 and HKFRS 4, 7, 9 and 16

Interest Rate Benchmark Reform — Phase 2

3.1 Amendments to HKFRS 16: Covid-19-Related Rent Concessions

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the covid-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. The amendment does not affect lessors.

3.2 Amendments to HKAS 39, HKFRSs 4, 7, 9 and 16: Interest Rate Benchmark Reform — Phase 2

The amendments address issues that might affect financial reporting when a company replaces the old interest rate benchmark with an alternative benchmark rate as a result of the interest rate benchmark reform (the reform). The amendments complement those issued in November 2019 and relate to:

- changes to contractual cash flows — a company will not have to derecognise or adjust the carrying amount of financial instruments for changes required by the reform, but will instead update the effective interest rate to reflect the change to the alternative benchmark rate;
- hedge accounting — a company will not have to discontinue its hedge accounting solely because it makes changes required by the reform, if the hedge meets other hedge accounting criteria; and
- disclosures — a company will be required to disclose information about new risks arising from the reform and how it manages the transition to alternative benchmark rates.

The application of the amendments to HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

3.3 Future Changes in HKFRSs

The Group has not early adopted any new/revised HKFRSs that have been issued but are not yet effective for the financial year beginning 1 January 2021. The directors are in the process of assessing the possible impact of the future adoption of these new/revised HKFRSs, but are not yet in a position to reasonably estimate their impact on the Group’s results and financial position.

4. REVENUE

Disaggregation of revenue from contracts with customers within HKFRS 15

Types of goods or services

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Printing and manufacturing of cigarette packages and related materials		
— Printing of cigarette packages	340,118	535,943
— Manufacturing of paper packaging materials	46,944	35,414
Manufacturing of laminated papers	9,144	14,929
Sales of RFID products	54,943	29,355
	451,149	615,641

Timing of revenue recognition

	For the six months ended 30 June 2021				
	Printing of cigarette packages (Unaudited) HK\$'000	Manufacturing of paper packaging materials (Unaudited) HK\$'000	Manufacturing of laminated papers (Unaudited) HK\$'000	Sales of RFID products (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
A point in time	–	46,944	–	54,943	101,887
Over time	340,118	–	9,144	–	349,262
Total	340,118	46,944	9,144	54,943	451,149

	For the six months ended 30 June 2020				
	Printing of cigarette packages (Unaudited) HK\$'000	Manufacturing of paper packaging materials (Unaudited) HK\$'000	Manufacturing of laminated papers (Unaudited) HK\$'000	Sales of RFID products (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
A point in time	–	35,414	–	29,355	64,769
Over time	535,943	–	14,929	–	550,872
Total	535,943	35,414	14,929	29,355	615,641

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.

	For the six months ended 30 June 2021				
	Printing of cigarette packages (Unaudited) HK\$'000	Manufacturing of paper packaging materials (Unaudited) HK\$'000	Manufacturing of laminated papers (Unaudited) HK\$'000	Sales of RFID products (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
PRC	340,118	46,944	9,144	44,562	440,768
Others (note)	–	–	–	10,381	10,381
Total	340,118	46,944	9,144	54,943	451,149
	For the six months ended 30 June 2020				
	Printing of cigarette packages (Unaudited) HK\$'000	Manufacturing of paper packaging materials (Unaudited) HK\$'000	Manufacturing of laminated papers (Unaudited) HK\$'000	Sales of RFID products (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
PRC	535,943	35,414	14,929	18,999	605,285
Others (note)	–	–	–	10,356	10,356
Total	535,943	35,414	14,929	29,355	615,641

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

5. SEGMENT INFORMATION

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

The Group's operating and reportable segments currently are (i) printing and manufacturing of cigarette packages and related materials, (ii) manufacturing of laminated papers and (iii) sales of RFID products. The CODM considered the Group has three (2020: three) operating and reportable segments which are based on the internal organisation and reporting structure. This is the basis upon which the Group is organised.

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

For the six months ended 30 June 2021

	Printing and manufacturing of cigarette packages and related materials (Unaudited) HK\$'000	Manufacturing of laminated papers (Unaudited) HK\$'000	Sales of RFID products (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	<u>387,062</u>	<u>9,144</u>	<u>54,943</u>	<u>451,149</u>
Segment profit	<u>70,561</u>	<u>226</u>	<u>3,752</u>	<u>74,539</u>
Unallocated — other income				16,650
Unallocated — other gains and losses				(35,938)
Unallocated expenses				(69,779)
Finance costs				(8,716)
Share of result of associates				37,723
Share of result of a joint venture				256
Reversal of impairment losses on financial assets and contract assets, net				<u>4,554</u>
Profit before taxation				<u><u>19,289</u></u>

For the six months ended 30 June 2020

	Printing and manufacturing of cigarette packages and related materials (Unaudited) HK\$'000	Manufacturing of laminated papers (Unaudited) HK\$'000	Sales of RFID products (Unaudited) HK\$'000	Total (Unaudited) HK\$'000
Segment revenue	<u>571,357</u>	<u>14,929</u>	<u>29,355</u>	<u>615,641</u>
Segment profit	<u>127,406</u>	<u>2,207</u>	<u>2,244</u>	<u>131,857</u>
Unallocated — other income				27,107
Unallocated — other gains and losses				(4,094)
Unallocated expenses				(65,060)
Finance costs				(9,038)
Share of result of associates				22,327
Share of result of a joint venture				131
Impairment losses on financial assets and contract assets, net				<u>(2,015)</u>
Profit before taxation				<u><u>101,215</u></u>

Segment profit represents the profit earned by each segment without allocation of corporate management expenses, directors' emoluments, share of result of associates and 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 and other expenses. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

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

6. TAXATION

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	2,559	12,836
Withholding tax	4,541	14,272
Overprovision of EIT in prior year	(5,925)	(142)
	1,175	26,966
Deferred tax	859	(8,173)
	2,034	18,793

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% (2020: 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 three years from the date of approval.

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

7. OTHER GAINS AND LOSSES

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Net foreign exchange gains (losses)	1,805	(1,395)
Gains on disposal of property, plant and equipment	2,152	57
Impairment losses on goodwill	(41,531)	(3,000)
Others	1,636	244
	<u>(35,938)</u>	<u>(4,094)</u>

8. PROFIT BEFORE TAXATION

This is stated after charging (crediting):

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Staff costs:		
Directors' emoluments	3,276	1,630
Other staff costs		
Salaries and other benefits	54,000	72,064
Contractual termination benefit	7,206	—
Contributions to retirement benefits schemes	8,643	4,613
Total staff costs	<u>73,125</u>	<u>78,307</u>
Depreciation of property, plant and equipment	51,127	47,270
Depreciation of investment properties	2,035	987
Depreciation of right-of-use assets	2,037	3,254
Amortisation of intangible assets (included in cost of sales and administrative expenses)	<u>20,126</u>	<u>20,880</u>
Total depreciation and amortisation	<u>75,325</u>	<u>72,391</u>
Cost of inventories*	<u>382,908</u>	<u>480,289</u>
Finance costs		
— Interest on bank loans	8,700	8,992
— Interest on lease liabilities	16	46
	<u>8,716</u>	<u>9,038</u>

* Included in cost of inventories were staff cost of approximately HK\$45,411,000 (2020: HK\$55,018,000) and depreciation and amortisation of approximately HK\$60,396,000 (2020: HK\$59,075,000) during the period,

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Research and development costs recognised as an expense (included in other expenses)	106	1,782
Share of taxation of associates	9,495	5,582
Contribution in respect of Covid-19-related donations (included in other expenses)	–	3,806
Government grants (included in other income)	(7,570)	(17,062)
Government support in respect of Covid-19-related subsidies (included in other income)	–	(688)
Gain on disposal of a subsidiary	–	(120)
Gain from change in fair value of financial assets at FVTPL	(89)	(124)
Rental income from investment properties	(3,393)	(2,651)

9. DIVIDENDS

The aggregate amount of the dividends declared and paid during the period is as follows:

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Dividends for ordinary shareholders of the Company recognised as distribution during the period:		
— 2020 final dividend	156,789	–
— 2019 final dividend	–	299,936
	156,789	299,936

During the current period, the final dividend of HK10 cents per share in respect of the year ended 31 December 2020, amounting approximately of HK\$156,789,000 (2020: HK\$19.13 cents per share in respect of the year ended 31 December 2019, amounting approximately of HK\$299,936,000) has been declared. The directors of the Company have resolved not to declare any dividend in respect of the interim period.

10. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Earnings:		
Earnings for the purpose of basic earnings per share		
(Profit for the period attributable to owners of the Company)	16,033	82,997
	'000	'000
Number of shares:		
Weighted average number of ordinary shares in issue		
for the purpose of basic earnings per share	1,567,885	1,567,885

No dilutive earnings per share is presented for the six months ended 30 June 2021 and 2020 since there were no potential ordinary shares in issue in both periods.

11. TRADE RECEIVABLES

	30 June	31 December
	2021	2020
	(Unaudited)	(Audited)
	HK\$'000	HK\$'000
Trade receivables		
— third parties	328,468	521,776
— an associate	6,484	—
	334,952	521,776
Less: allowance for credit losses	(5,348)	(9,243)
	329,604	512,533

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
0–90 days	270,944	462,583
91–180 days	38,722	39,828
181–365 days	13,787	5,293
Over 365 days	11,499	14,072
	<u>334,952</u>	<u>521,776</u>

As at 30 June 2021, included in trade receivables were bills receivables of HK\$20,175,000 (31 December 2020: HK\$20,286,000) which are held by the Group for future settlement of trade receivables due from third parties. The Group continues to recognise their full carrying amounts at the end of the reporting period. All bills received by the Group are with a maturity period of less than one year.

12. TRADE PAYABLES

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
0–30 days	90,061	135,197
31–90 days	48,182	58,903
91–180 days	17,616	8,245
181–365 days	2,401	3,855
Over 365 days	5,824	7,837
	<u>164,084</u>	<u>214,037</u>

As at 30 June 2021, bills amounting to HK\$10,441,000 (31 December 2020: HK\$13,686,000) are transferred to suppliers for settling trade payables.

13. CONTINGENT LIABILITIES

As to the outstanding lawsuit disclosed in annual report of the Group's consolidated financial statements for the year ended 31 December 2020, there is no further progress since the last annual reporting date. 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 in the condensed consolidated financial statements accordingly.

BUSINESS REVIEW

For the Period under Review, the Company achieved revenue of approximately HK\$451.1 million with profit attributable to owners of the Company amounting to approximately HK\$16.0 million and basic earnings per share of approximately HK1 cent. The Board did not recommend the payment of an interim dividend for the Period under Review.

In the first half of 2021, China's economy recovered steadily and achieved a year-on-year GDP growth of 12.7%. Various policies have been implemented to help China's economy to recover and grow. However, the global economic prospects remain uncertain as the COVID-19 pandemic has not been put under control and the competition between China and the United States has intensified in multiple aspects. Both may have adverse impact to the China's economy in the second half of 2021.

During the Period under Review, China's tobacco industry's production and sales volumes continued to grow steadily. Cigarettes sold increased in volume and value by 1.3% and 5.7% respectively. The China National Tobacco Corporation continued its policy to implement mandatory tendering. In view of the importance of tendering, the Group has already established a specific team to plan and organise the tendering among the subsidiaries.

Under the pressure of the fall of tender prices and the rising of raw materials prices, the Group has implemented a series of measures, which including strengthening production cost control, improving production efficiency and enhancing inventory management, in order to cope with the challenges to the profitability of the Group.

Since December 2020 and during the Period under Review, the Group has not successfully bid the tender of some customers for the orders in the coming years. The failure to successfully bid for the customers' tender have an adverse financial impact on the overall revenue and profitability of the Group for the Period under Review and the coming years. As such, the financial positions and performance of the Group were affected in different aspects, including the decrease in revenue arising from printing of cigarette packages and impairment losses on goodwill arising from the relevant cash generating units as disclosed in relevant notes.

Printing and Manufacturing of Cigarette Packages and Related Materials

During the Period under Review, this segment has suffered from the loss of tender from its customers and the decrease in tender prices, the revenue of this segment decreased by 32.3% to HK\$387.1 million. The material cost inflation also had adverse impact on the profitability. To cope with the challenges, the Group has increased in participation of tenders and actively sought other opportunities to expand into other packaging markets. The Group will also continue to reduce the pressure of declining gross profit through cost reduction, efficiency enhancement and resource consolidation measures.

Manufacturing of Laminated Papers

The segment profit of laminated paper manufacturing has decreased mainly due to decrease in the business volume.

Sales of RFID products

During the Period under Review, the sales of RFID products has increased by 87.2% and improved its profitability. Under the influence of COVID-19 pandemic, the supply of chips was very unstable during the Period under Review. Benefiting from the good relationship maintained by the Group with our suppliers, the Group minimized the impact of the short in supply of raw materials and further expanded this business. The profit of this segment has also been improved.

PROSPECT

Looking ahead, the Group will continue to make cigarette packaging the solid foundation of the Group's development and look for further development in the new business (like the sale of RFID products). The Group will continue to increase in participation of tenders, actively expand into other packaging markets and continue to reduce the pressure of declining gross profit through cost reduction and efficiency enhancement and resource consolidation measures.

It is the Group's corporate mission to continue to explore ways to improve its financial performance, to equip the Group with growth momentum, 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, in order to achieve sustainable growth, increasing profitability and ultimately maximising the return to the shareholders of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

REVENUE

During the Period under Review, the revenue of the Group was approximately HK\$451.1 million (six months ended 30 June 2020: HK\$615.6 million), which represents a decrease of approximately HK\$164.5 million or 26.7% as compared to the corresponding period in 2020. The revenue of our three business segments, namely printing and manufacturing of cigarette package and related materials, manufacturing of laminated papers and sales of RFID products were approximately HK\$387.1 million (six months ended 30 June 2020: HK\$571.4 million), HK\$9.1 million (six months ended 30 June 2020: HK\$14.9 million) and HK\$54.9 million (six months ended 30 June 2020: HK\$29.3 million) respectively.

The decrease in revenue was mainly attributable to the decrease in business volume of printing and manufacturing of cigarette packages and related materials as a result of the failure of one of the subsidiaries of the Company to bid its tender for 2021 and 2022 orders from its major customers. However, the appreciation of RMB against HKD of roughly 8.5% comparing with the corresponding period of 2020 has partially reduced such downside effect.

GROSS PROFIT

During the Period under Review, gross profit of the Group decreased by 49.6% to approximately HK\$68.2 million (six months ended 30 June 2020: HK\$135.4 million) as compared to the corresponding period in 2020. The gross profit margin decreased to 15.1% during the Period under Review (six months ended 30 June 2020: 22.0%).

The decrease of gross profit margin was due to the Group's strenuous cost saving measures on product cost being outweighed by the decrease in business volume. The average selling price was also subject to pressure induced by the ongoing mandatory tendering system.

OTHER INCOME

Other income during the Period under Review comprises mainly government grants, sales of raw materials, rental income and interest income of HK\$7.6 million, HK\$3.3 million, HK\$2.0 million and HK\$2.2 million respectively.

Other income of the Group decreased by HK\$10.5 million to HK\$16.7 million as compared with the corresponding period in 2020, which was mainly attributable to the decrease in various government grants.

OTHER GAINS AND LOSSES

Other losses during the Period under Review increased by 778% to HK\$35.9 million as compared with corresponding period in 2020. The increase was mainly attributable to the recognition of impairment losses on goodwill of approximately HK\$41.5 million for various cash-generating units as their recoverable amount were lesser than the carrying amount as at 30 June 2021.

SELLING AND DISTRIBUTION EXPENSES

The selling and distribution expenses during the Period under Review decreased by approximately HK\$11.0 million to HK\$11.1 million or 49.8% compared with corresponding period of last year. The decrease was mainly due to the reduction of sales expenses and staff costs.

ADMINISTRATIVE EXPENSES AND OTHER EXPENSES

During the Period under Review, administrative expenses and other expenses increased by approximately HK\$5.9 million or 12.8% compared with the corresponding period in 2020. The increase was mainly attributable to the occurrence of one-off compensation for dismissed staff for the Period under Review and the absence of one-off preferential treatment in relation to COVID-19 in the corresponding period in 2020.

FINANCE COSTS

Finance costs during the Period under Review decreased by approximately HK\$0.3 million or 3.6% as compared with the corresponding period in 2020. Such decrease was mainly due to decrease in the average bank borrowings rate during the Period under Review. The Group has implemented plan to improve the bank loan portfolio by the replacement of existing facilities with new bank loan with lower interest rate.

SHARE OF RESULT OF ASSOCIATES

Share of profits of associates increased by approximately HK\$15.4 million to HK\$37.7 million during the Period under Review. The increase in net profit of our associates was mainly due to a significant increase in revenue as a result of the increased successful tenders by the Group's major associate namely Changde Goldroc Rotogravure Printing Co. ("**Changde Goldroc**") during the Period under Review. Changde Goldroc is principally engaged in provision of cigarette printing packaging services. It has a carrying value of HK\$415.6 million, i.e. more than 10% of the Group's total assets of HK\$3,446 million as at 30 June 2021. The Group beneficially owns RMB50,546,120 of its registered capital at the investment costs of HK\$289.3 million, representing 31% of the total registered capital of RMB163,052,000. During the Period under Review, the Group received dividend of HK\$76.8 million from Changde Goldroc (2020: HK\$58.5 million). The Group holds the investment in Changde Goldroc for stable earnings and dividend income in view of its stable business with local customer.

TAXATION

The effective tax rate of the Group decreased from approximately 18.6% to 10.5% during the Period under Review. Such decrease was mainly due to the over provision of enterprise income tax in prior year.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

Profit attributable to the owners of the Company during the Period under Review was approximately HK\$16.0 million, a decrease of approximately HK\$67.0 million or 80.7% as compared with the corresponding period in 2020. The decrease was primarily attributable to the recognition of impairment loss on goodwill of approximately HK\$41.5 million and the decrease in revenue mainly due to decrease in sales volume of cigarette package by approximately 32.3%.

SEGMENT INFORMATION

During the Period under Review, the revenue from the printing and manufacturing of cigarette packages and related materials, manufacturing of laminated papers and sales of RFID products were approximately HK\$387.1 million (six months ended 30 June 2020: HK\$571.4 million), approximately HK\$9.1 million (six months ended 30 June 2020: HK\$14.9 million) and approximately HK\$54.9 million (six months ended 30 June 2020: HK\$29.3 million) respectively. Earnings from the printing and manufacturing of cigarette packages and related materials accounted for approximately 94.7% of the total segment earnings before unallocated items. The earnings before unallocated items during the Period under Review from printing and manufacturing of cigarette packages, printing and related materials, manufacturing of laminated papers and sales of RFID products decreased by approximately 44.6% to HK\$70.6 million, decreased by approximately 89.8% to HK\$0.2 million and increased by approximately 67.2% to HK\$3.8 million respectively.

FINANCIAL POSITION AND LIQUIDITY

The Group generally finances its operations with internally generated resources and banking facilities. As at 30 June 2021, the Group had net current assets of approximately HK\$343.0 million (as at 31 December 2020: HK\$392.2 million) while the Group's bank balances and cash amounted to approximately HK\$405.5 million (as at 31 December 2020: HK\$315.4 million).

The significant decrease in net current assets was mainly due to recognition of the 2020 final dividend payable as at 30 June 2021.

As at 30 June 2021, bank borrowings (repayable within one year) of the Group amounted to approximately HK\$294.7 million (as at 31 December 2020: HK\$411.2 million). Carrying amounts of bank deposits pledged for securing banking facilities of bills payables granted to the Group amounted to approximately HK\$1.8 million (as at 31 December 2020: HK\$14.5 million). As at 30 June 2021, the Group's gearing ratio, represented by the amount of interest-bearing borrowings divided by shareholders equity, was approximately 11.1% (as at 31 December 2020: 14.8%).

CAPITAL COMMITMENTS

As at 30 June 2021, the Group had capital commitments in respect of the acquisition of property, plant, equipment contracted for but not provided in the condensed consolidated financial statements amounting to approximately HK\$62.7 million (as at 31 December 2020: HK\$76.4 million), mainly related to the development of industrial park.

CONTINGENT LIABILITIES

Save as disclosed in the note 13 to the condensed consolidated financial statements above, the Group had no material contingent liabilities as at 30 June 2021.

MATERIAL ACQUISITION AND DISPOSAL

There was no material acquisition or disposal of subsidiaries, associates or joint ventures by the Group during the Period under Review.

TREASURY POLICIES

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Period under Review. The Group strives to reduce exposure to credit risk by performing ongoing credit assessments and evaluations of the financial status of its existing customers from time to time. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

CAPITAL STRUCTURE

During the Period under Review, the Group's operation was mainly financed by funds generated from its operation and bank borrowings. As at 30 June 2021, bank borrowings were mainly denominated in RMB, while the cash and cash equivalents held by the Group were mainly denominated in HKD and RMB. The Group's turnover is mainly denominated in RMB, while its costs and expenses are mainly denominated in HKD and RMB. No financial instruments were used for hedging purposes, nor were there any foreign currency net investments hedged by current borrowings and/or other hedging instruments during the period.

EQUITY FUND RAISING

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

CHARGES ON ASSETS

As at 30 June 2021, the Group pledged bank deposits with an aggregate carrying value of approximately HK\$1.8 million (31 December 2020: HK\$14.5 million) to secure banking facilities of bills payables granted to the Group.

SIGNIFICANT INVESTMENT

Save for Changde Goldroc, the particulars of which are disclosed in the above section headed “Share of result of associates”, there were no significant investments held as at 30 June 2021.

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.

IMPORTANT EVENTS AFFECTING THE GROUP AFTER THE REPORTING PERIOD

No important events affecting the Group has taken place since 30 June 2021 and up to the date of this announcement.

HUMAN RESOURCES

As at 30 June 2021, the Group had 8 and 1,013 full-time staff based in Hong Kong and the PRC respectively. The Group’s remuneration packages are generally structured with reference to market terms and individual merits. The Group operates a defined contribution retirement benefits scheme under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees’ base salaries. The Group also made contributions to provident funds, elderly insurance, medical insurance, unemployment insurance and work-related injury insurance in accordance with appropriate laws and regulations in the PRC.

INTERIM DIVIDEND

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

CORPORATE GOVERNANCE

The Company has adopted the Corporate Governance Code (the “Code”) contained in Appendix 14 of the Listing Rules. For the Period under Review, the Company has complied in general with the Code, except code provisions A.6.7 and E.1.2 of the Code as Mr. Lui Tin Nang (the chairman of audit committee of the Company and an independent non-executive director) was unable to attend the annual general meeting of the Company held on 11 June 2021 due to his other business engagement.

PURCHASE, SALE OR REDEMPTION OF SHARES

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

AUDIT COMMITTEE

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

APPRECIATION

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

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

Hong Kong, 30 August 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 the Chief Executive Officer), Mr. Huang Wanru and Mr. Jiang Xiang Yu, 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.