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CIRTEK HOLDINGS LIMITED

常達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1433)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of Cirtek Holdings Limited (the “**Company**”) is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2022, which have been reviewed by the audit committee (the “**Audit Committee**”) of the Company, together with comparative figures for the corresponding period in 2021 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
REVENUE	4	212,853	156,419
Cost of sales		(126,688)	(89,369)
Gross profit		86,165	67,050
Other income and gains	4	7,266	5,040
Selling and distribution expenses		(27,700)	(22,248)
Administrative expenses		(51,051)	(44,843)
Other expenses		(64)	–
Finance costs		(1,297)	(1,195)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(continued)

For the six months ended 30 June 2022

		Six months ended 30 June	
		2022	2021
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
PROFIT BEFORE TAX	5	13,319	3,804
Income tax expenses	6	<u>(4,046)</u>	<u>(1,668)</u>
PROFIT FOR THE PERIOD		<u>9,273</u>	<u>2,136</u>
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		<i>HK cents</i>	<i>HK cents</i>
– Basic	8	<u>0.46</u>	<u>0.11</u>
		<i>HK cents</i>	<i>HK cents</i>
– Diluted	8	<u>0.46</u>	<u>0.11</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT FOR THE PERIOD	<u>9,273</u>	<u>2,136</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences, net:		
Exchange differences on translation of foreign operations	<u>(12,298)</u>	<u>(1,960)</u>
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>(3,025)</u>	<u>176</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

		30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	111,061	110,800
Right-of-use assets		41,152	40,577
Prepayments and deposits		4,014	4,766
Goodwill	13	1,903	1,532
Other intangible assets		6,323	977
Financial asset at fair value through profit or loss		5,724	5,599
Deferred tax assets		407	407
		170,584	164,658
CURRENT ASSETS			
Inventories		58,074	65,112
Trade receivables	10	49,187	53,692
Prepayments, deposits and other receivables		16,803	15,385
Cash and cash equivalents		95,505	102,101
Tax recoverable		–	80
		219,569	236,370
CURRENT LIABILITIES			
Trade payables	11	56,576	55,763
Other payables and accruals		30,102	39,932
Interest-bearing bank borrowings		11,450	13,622
Lease liabilities		13,009	11,417
Tax payable		9,717	7,854
		120,854	128,588
NET CURRENT ASSETS		98,715	107,782
TOTAL ASSETS LESS CURRENT LIABILITIES		269,299	272,440

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

As at 30 June 2022

		30 June	31 December
		2022	2021
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payables		671	626
Lease liabilities		20,718	21,109
Deferred tax liabilities		1,265	1,039
		<hr/>	<hr/>
Total non-current liabilities		22,654	22,774
		<hr/>	<hr/>
Net assets		246,645	249,666
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	20,000	20,000
Reserves		226,645	229,666
		<hr/>	<hr/>
Total equity		246,645	249,666
		<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The principal place of business of the Company is located at 1/F, Wing Ming Industrial Centre, 15 Cheung Yue Street, Lai Chi Kok, Kowloon, Hong Kong.

The Company is an investment holding company. During the reporting periods, the Group's subsidiaries were principally engaged in the manufacturing and sale of printing products.

Charming International Limited ("**Charming International**"), a company incorporated in the British Virgin Islands (the "**BVI**") on 2 January 2019, is the immediate holding company of the Company, and in the opinion of the Directors, it is also the ultimate holding company of the Company.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2022 has been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 *Interim Financial Reporting*. The interim condensed consolidated financial information does not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2021.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The accounting policies adopted in the preparation of the interim condensed consolidated financial information are consistent with those applied in the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the adoption of the following revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

Amendments to HKFRS 3	<i>Reference to the Conceptual Framework</i>
Amendments to HKAS 16	<i>Property, Plant and Equipment: Proceeds before Intended Use</i>
Amendments to HKAS 37	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>
<i>Annual Improvements to HKFRSs 2018-2020</i>	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The adoption of the above revised HKFRSs has had no significant financial effect on this interim condensed consolidated financial information and there have been no significant changes to the accounting policies applied in this interim condensed consolidated financial information.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment, which is the manufacture and sale of printing products.

Geographical information

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Mainland China	73,164	55,410
Hong Kong	40,945	30,158
Bangladesh	28,662	17,093
Vietnam	25,102	12,553
United States	10,377	9,672
Other countries	34,603	31,533
	<u>212,853</u>	<u>156,419</u>

The revenue information above is based on the locations of the customers.

(b) *Non-current assets*

	30 June	31 December
	2022	2021
	(Unaudited)	(Audited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	10,067	2,714
Mainland China	87,675	97,561
Bangladesh	34,698	29,422
Vietnam	10,702	10,246
Other countries	19,642	17,353
	<u>162,784</u>	<u>157,296</u>

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about a major customer

Revenue from a major customer, including a group of entities which are known to be under common control with that customer, which accounted for 10% or more of the Group's revenue, is set out below:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A	<u>24,998</u>	<u>18,493</u>

The revenue from the above major customer was all derived from the sale of printing products.

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns, trade discounts and rebates.

An analysis of the Group's revenue, other income and gains is as follows:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
<i>(i) Disaggregated revenue with information</i>		
Types of goods or services		
Sale of printing products	<u>212,853</u>	<u>156,419</u>
Geographical markets		
Mainland China	73,164	55,410
Hong Kong	40,945	30,158
Bangladesh	28,662	17,093
Vietnam	25,102	12,553
United States	10,377	9,672
Others	<u>34,603</u>	<u>31,533</u>
	<u>212,853</u>	<u>156,419</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>212,853</u>	<u>156,419</u>

The following table shows the amounts of revenue recognised that were included in the contract liabilities at the beginning of the periods:

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Sale of printing products	<u>10,975</u>	<u>6,511</u>

(ii) *Performance obligations*

Sale of printing products

The performance obligation is satisfied upon delivery of the printing products and payment is generally due within 30 to 90 days from delivery, except for new customers, where payment in advance is normally required. Some contracts provide customers with a right of return which gives rise to variable consideration subject to constraint.

As the remaining performance obligations (unsatisfied or partially satisfied) as at 30 June 2022 and 2021 are part of contracts that have an original expected duration of one year or less, the transaction price allocated to such is not disclosed, as permitted by the practical expedient in HKFRS 15.

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Other income and gains		
Freight and transportation income	205	543
Interest income	147	140
Sale of scrap materials	1,210	1,033
Government grants*	1,187	163
Foreign exchange differences, net	3,132	1,769
Gain on disposal of items of property, plant and equipment, net	12	–
Gain on derecognition of right-of-use assets, net	–	5
Fair value gain on financial assets at fair value through profit or loss, net	119	102
Others	<u>1,254</u>	<u>1,285</u>
	<u>7,266</u>	<u>5,040</u>

* As at 30 June 2022 and 2021, there were no unfulfilled conditions or other contingencies attaching to the government grants that had been recognised by the Group.

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	<i>HK\$'000</i>	<i>HK\$'000</i>
Cost of sales [#]	126,688	89,369
Depreciation of property, plant and equipment	8,903	8,495
Depreciation of right-of-use assets	4,211	5,180
Amortisation of other intangible assets	50	–
Short-term lease expenses	167	205
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	68,475	58,913
Pension scheme contributions (defined contribution scheme) ^{##}	5,153	4,661
	73,628	63,574
Government grants ^{**}	(1,187)	(163)
Auditor's remuneration	1,170	1,061
Foreign exchange differences, net [*]	(3,132)	(1,769)
Impairment of trade receivables ^{***}	64	–
Gain on disposal of items of property, plant and equipment, net [*]	(12)	–
Gain on derecognition of right-of-use assets, net [*]	–	(5)
Fair value gain on financial assets at fair value through profit or loss, net [*]	(119)	(102)

* These items are included in "Other income and gains" on the face of the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2022 and 2021.

** The government grants have been received from the local government. It mainly represented compensation of the unemployment insurance paid to the local government and the acquisition of the Group's new machines, whose compensation are transferred from deferred income to profit or loss over the useful lives of the relevant assets, and the government grant from the Employment Support Scheme from the Hong Kong government in respect of COVID-19 related subsidies during the current period. There are no unfulfilled conditions or contingencies relating to these grants.

*** This item is included in "Other expenses" on the face of the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2022.

Cost of inventories sold includes HK\$36,569,000 (2021: HK\$33,578,000) of employee benefit expense, and depreciation of property, plant and equipment and right-of-use assets which are also included in the respective total amounts disclosed above for each of these types of expenses.

There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

6. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the BVI, the Group is not subject to any income tax in the Cayman Islands and the BVI.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period. In the prior period, Hong Kong profits tax was provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the period, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary were taxed at 8.25% and the remaining assessable profits were taxed at 16.5%. PRC tax was provided at the rate of 25% on the estimated assessable profits arising in the PRC during the period. Pursuant to the rules and regulations of the United States, a company which is treated as a corporation for the United States federal income tax purposes was subject to a tax rate of 21% (2021: 21%) at the federal level during the period and was also subject to the statutory corporate income tax in state and local tax jurisdictions.

Taxes on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates.

	For the six months ended 30 June	
	2022	2021
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	–	596
Current – Elsewhere		
Charge for the period	4,067	1,069
Deferred	(21)	3
	<hr/>	<hr/>
Total tax charge for the period	4,046	1,668
	<hr/>	<hr/>

7. DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022 (2021: Nil).

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the six months ended 30 June 2022 attributable to ordinary equity holders of the Company of HK\$9,273,000 (2021: HK\$2,136,000) and the weighted average number of ordinary shares of 2,000,000,000 (2021: 2,000,000,000) in issue during the period.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2022 and 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired property, plant and equipment at a cost of approximately HK\$14,141,000 (six months ended 30 June 2021: HK\$6,325,000).

The Group did not have any plant and machinery pledged to secure certain of the bank loans of the Group as at 30 June 2022 (31 December 2021: a net book value of approximately HK\$5,172,000).

10. TRADE RECEIVABLES

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Trade receivables	49,454	53,895
Impairment	(267)	(203)
	<u>49,187</u>	<u>53,692</u>

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment in advance is normally required. The credit period is generally within 30-90 days from the date of monthly statements. Each customer has a maximum credit limit. Overdue balances are reviewed regularly by senior management. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	31,456	32,952
1 to 2 months	12,472	15,540
2 to 3 months	1,530	2,854
Over 3 months	<u>3,729</u>	<u>2,346</u>
	<u>49,187</u>	<u>53,692</u>

11. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	30 June 2022 (Unaudited) HK\$'000	31 December 2021 (Audited) HK\$'000
Within 1 month	22,603	18,564
1 to 2 months	12,329	13,815
2 to 3 months	8,417	10,026
Over 3 months	13,227	13,358
	<u>56,576</u>	<u>55,763</u>

The trade payables are non-interest-bearing and are normally settled on 30 to 150-day terms (2021: 30 to 150-day terms).

12. SHARE CAPITAL

Shares	30 June 2022 (unaudited) HK\$'000	31 December 2021 (audited) HK\$'000
Authorised:		
5,000,000,000 (31 December 2021: 5,000,000,000) ordinary shares of HK\$0.01 (31 December 2021: HK\$0.01) each	<u>50,000</u>	<u>50,000</u>
Issued and fully paid:		
2,000,000,000 (31 December 2021: 2,000,000,000) ordinary shares of HK\$0.01 (31 December 2021: HK\$0.01) each	<u>20,000</u>	<u>20,000</u>

13. BUSINESS COMBINATION

On 6 May 2022, the Group acquired a 100% interest in Print100 Limited from an independent third party. Print100 Limited is engaged in business of printing. The acquisition was made to expand and diversify the Group's business scope and brand name. The purchase consideration for the acquisition was in the form of cash, with HK\$5,000,000 paid during the period.

The fair values of the identifiable assets and liabilities of Print100 Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition (Unaudited) HK\$'000
Property, plant and equipment	844
Right-of-use assets	285
Other intangible assets	5,476
Financial assets at fair value through profit or loss	91
Trade receivables	230
Prepayments, deposits and other receivables	5,500
Cash and cash equivalents	75
Trade payables	(1,179)
Other payables and accruals	(1,238)
Bank overdrafts	(965)
Lease liabilities	(1,060)
Interest-bearing bank borrowings	(3,101)
Deferred tax liabilities	(319)
	<hr/>
Total identifiable net assets at fair value	4,639
Goodwill on acquisition	361
	<hr/>
Satisfied by Cash	5,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	<i>HK\$'000</i>
Cash consideration	(5,000)
Cash and cash equivalents acquired	75
Bank overdrafts acquired	(965)
	<hr/>
	(5,890)

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the reporting period is presented below:

	<i>HK\$'000</i> (Unaudited)
Carrying amount, net of accumulated impairment At 1 January 2022	1,532
Acquisition of a subsidiary	361
Exchange realignment	10
	<hr/>
At 30 June 2022	<u>1,903</u>

Included in the goodwill of HK\$361,000 recognised above is an assembled workforce which is not recognised separately. It is not separable and does not meet the criteria for recognition as an intangible asset under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, Print100 Limited contributed HK\$1,690,000 to the Group's revenue and a loss of HK\$88,000 to the consolidated profit for six months ended 30 June 2022.

Had the combination taken place at the beginning of the period, the revenue of the Group and the profit of the Group for the period would have been HK\$215,428,000 and HK\$7,673,000, respectively.

14. COMMITMENTS

At the end of the reporting period, the Group had the following capital commitments:

	30 June 2022 (Unaudited) <i>HK\$'000</i>	31 December 2021 (Audited) <i>HK\$'000</i>
Contracted, but not provided for:		
Building	11,868	17,891
Plant and machinery	1,643	1,102
	<hr/>	<hr/>
	13,511	18,993
	<hr/>	<hr/>

15. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	For the six months ended 30 June 2022 (Unaudited) <i>HK\$'000</i>	2021 (Unaudited) <i>HK\$'000</i>
Salaries, allowances and benefits in kind	2,850	3,547
Pension scheme contributions	26	26
	<hr/>	<hr/>
	2,876	3,573
	<hr/>	<hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

During the first half of 2022, the pandemic raged on and the geopolitical situation became tense, causing an unprecedented bottleneck in the global supply chain and hindering the recovery of the global economy and the performance of the manufacturing industry. Inevitably, the operating activities of the apparel industry took a hit. In view of this, the industry accelerated its digital transformation amid adversity, with the aim of providing consumers with a more convenient shopping experience, and to drive consumption. In addition, quite a few international apparel brands have become more aware of green consumerism, which in turn has driven new development momentum in the apparel labels and trim products industry.

For the six months ended 30 June 2022 (the “**Review Period**”), although the pandemic situation was turbulent and the supply chain was unstable, the Group was able to fully leverage its global configuration advantage, minimizing the impacts of various negative factors on sales and operations as it navigated through the changes in needs around the globe, thus allowing it to continue to increase its sales figures and enhance its profitability in this difficult economy. During the Review Period, despite of the sluggish market, the Group recorded revenue amount to approximately HK\$212.8 million, an increase of 36.1% compared with the corresponding period last year (first half of 2021: approximately HK\$156.4 million). Although raw material prices and labor costs increased, owing to the Group’s implementation of stringent cost control measures and optimisation of the production capacity structure, the Group’s gross profit margin remained at a healthy level of 40.5% (first half of 2021: 42.9%). During the Review Period, profit attributable to the owners of the Company significantly increased approximately four times, reaching approximately HK\$9.3 million (first half of 2021: approximately HK\$2.1 million), and the profit margin also surged to reach 4.4% (first half of 2021:1.4%).

In terms of sales, the global sales network that the Group was dedicated to constructing was a huge success, as it steadily improved sales figures. During the Review Period, China executed strict pandemic prevention measures, driving a number of apparel brands to relocate their production sites to other Southeast Asian countries, among which, Vietnam recorded a historic high textile and apparel export volume during the first half of this year, which is benefited the Group, as its sales in Vietnam had the highest growth rate when compared with the other markets. In terms of the Chinese market, the Group was able to acquire two new clients which is a China apparel brand, it also secured numerous domestic brand clients during the Review Period, actively expanding the local market. Meanwhile, the sales offices that the Group set up in emerging markets such as Mexico in Central America have already commenced operations, and the Group will also set up new production bases in those markets during the second half of the year. The sales office in Spain has also become operational.

In terms of production, the Group carried on with its strategic arrangement. Its main production bases remained in the world's three largest apparel manufacturing countries, namely China, Vietnam and Bangladesh, and at the same time, it continued exploring potential markets from all over the world for building factories. The international apparel brands have been focusing their production activities in Southeast Asia countries such as Vietnam and Bangladesh in recent years. Under such trend, the Group had a head start as it had already set up production facilities in those areas, allowing it to acquire more orders from branded customers. It is believed that the foresaid trend would bring a long term growth driving force for business. The Group had also set up factories in Turkey and India, and would gradually expand according to market needs and operation position, so as to grasp local growth opportunities.

In terms of products, as Radio Frequency Identification (RFID) products became more and more widely used in retail and inventory management, the sales of the Group's RFID products had an apparent boost when compared to the corresponding period last year, defending their title as the products with the fastest growth rate within the Group. On the other hand, the Group's research and development team was actively developing RFID solutions and technologies, with the aim of providing comprehensive RFID supply chain solutions for clients and to seize the business opportunities emerging in the RFID application market. Besides that, many large brands invested more heavily in "environmental, social and governance" (ESG) area, in an attempt to enhance their recognition in global market. During the Review Period, in order to satisfy market needs, the Group launched more products stemmed from environmental friendly concepts that were made from environmental friendly and recyclable materials, and provided diversified environmental protection solutions to international branded customers.

In May 2022, the Group completed the acquisition of Print100 Limited ("**Print100**") and created a new brand ("印**100**" (**Yinyibai**)). This would be beneficial to the expansion and diversification of the Group's business scope, and would enhance the brand's reputation in Mainland China and other parts of the world, as well as increase income sources.

Business and Financial Review

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2022 amounted to approximately HK\$212.8 million, representing an increase of approximately 36.1% as compared with approximately HK\$156.4 million in the corresponding period of 2021.

The above change in revenue was mainly due to upon the relaxation of COVID-19 restrictions which in turn led to growth in demand and sales during the reporting period.

Gross Profit

During the six months ended 30 June 2022, the Group's overall gross profit margin remained at a respectable level to approximately 40.5%, as compared with approximately 42.9% of the corresponding period of 2021. The above change mainly represented the significant increase in raw material prices and the rise in labour costs during the Reporting Period.

Other Income and Gains

Other income and gains increased by approximately 44.2% from approximately HK\$5.0 million in the first half of 2021 to approximately HK\$7.3 million in the first half of 2022, mainly due to the result of government grants received in relation to wages subsidies under the Employment Support Scheme of the Anti-epidemic Fund operated by the Hong Kong Government, increase in foreign currencies exchange gain and sale of scrap material during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 24.5% from approximately HK\$22.2 million in the first half of 2021 to approximately HK\$27.7 million in the first half of 2022, primarily due to the increase in marketing consultancy fee and salaries relate to sales person which the demand of customers has been improved as the COVID-19 pandemic been brought under control in many countries.

Administrative Expenses

Administrative expenses increased by approximately 13.8% from approximately HK\$44.8 million in the first half of 2021 to approximately HK\$51.1 million in the same period of 2022, mainly due to the increase in labour cost and the operating cost of expanding for new subsidiaries during the Reporting Period.

Other Expenses

Other expenses represented the provision of impairment of trade receivables in the current Reporting Period.

Finance Costs

Finance costs represented interest on bank loan and interest on lease liabilities of approximately HK\$1.3 million and HK\$1.2 million for the period ended 30 June 2022 and 2021 respectively, which remained broadly stable as comparison.

Taxation

Taxation expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rates prevailing in the relevant jurisdictions. Taxation expenses in the first half of 2022 amounted to approximately HK\$4.0 million, representing an increase from approximately HK\$1.7 million in the first half of 2021. The above significant change was mainly due to the operating profits occur in subsidiaries which led to an increase in the provision incurred during the Reporting Period.

Profit for the period

Reported net profit for the first half of 2022 was approximately HK\$9.3 million compared with the net profit of approximately HK\$2.1 million in the first half of 2021. The financial performance improved due to the stable development of the Group's business, which is diversified in many countries such as the PRC, Vietnam and Bangladesh, upon the relaxation of COVID-19 restrictions which in turn led to growth in demand and sales during the reporting period.

Capital Structure, Liquidity and Financial Resources

During the Reporting Period, the Group has funded its operations and capital requirements from cash generated from its operations, trade credit from its suppliers and short-term bank borrowings.

As at 30 June 2022, the Group had net current assets of approximately HK\$98.7 million (31 December 2021: approximately HK\$107.8 million) including inventories of approximately HK\$58.1 million (31 December 2021: approximately HK\$65.1 million), trade receivables of approximately HK\$49.2 million (31 December 2021: approximately HK\$53.7 million) and trade payables of approximately HK\$56.6 million (31 December 2021: approximately HK\$55.8 million).

As at 30 June 2022, cash and cash equivalents for the Group accounted for approximately HK\$95.5 million (31 December 2021: approximately HK\$102.1 million) which mainly approximately HK\$68.7 million (31 December 2021: approximately HK\$67.2 million) was denominated in Hong Kong Dollars, approximately HK\$17.6 million (31 December 2021: approximately HK\$25.8 million) was denominated in US Dollars, and approximately HK\$2.3 million (31 December 2021: approximately HK\$4.2 million) was denominated in Renminbi. The Group's cash in US Dollars and Renminbi was held to support its core operational needs.

As at 30 June 2022, the Group had interest-bearing bank borrowings of approximately HK\$11.5 million (31 December 2021: approximately HK\$13.6 million) and aggregate banking facilities of approximately HK\$83.4 million (31 December 2021: approximately HK\$83.4 million), of which approximately HK\$10.4 million (31 December 2021: approximately HK\$14.5 million) was utilised and approximately HK\$73.0 million (31 December 2021: approximately HK\$68.9 million) was unutilised. The Group is not committed to draw down the unutilised amount.

The Group's certain lease liabilities are guaranteed by unlimited corporate guarantees given by the Company. The current ratio (current assets divided by current liabilities) remain a constant level as approximately 1.82 times as at 30 June 2022 from approximately 1.84 times as at 31 December 2021. The gearing ratio (bank borrowings divided by total assets) was approximately 2.9% as at 30 June 2022, while the gearing ratio as at 31 December 2021 was approximately 3.4%. The Board is of the opinion that the Group has a solid and stable financial position and adequate resources to support the necessary operating funding requirements and foreseeable capital expenditures.

Foreign Exchange Exposure

The Group's transactions and the monetary assets are principally denominated in Hong Kong dollars, Renminbi and United States dollars. The Group has not experienced any material difficulties or effects on its operations or liquidity as a result of fluctuations in currency exchanges rate during the six months ended 30 June 2022.

Charges on Group Assets

The Group did not have any plant and machinery was pledged to secure certain of the bank loans of the Group as at 30 June 2022 (31 December 2021 : a net book value of approximately HK\$5,172,000). A life insurance policy with a carrying amount of approximately HK\$5.7 million (31 December 2021: approximately HK\$5.6 million) was pledged to secure certain bank loans granted to the Group.

USE OF PROCEEDS FROM LISTING

The net proceeds from the initial public offering of the shares, net of underwriting commission in respect of the offering and other relevant expenses, amounted to approximately HK\$69.9 million.

Set out below is the actual use of net proceeds up to the date of this announcement.

Use of net proceeds	Percentage of net proceeds	Net proceeds <i>HK\$'000</i>	Amount utilised <i>HK\$'000</i>	Amount remaining <i>HK\$'000</i>	Expected timeline for utilisation of the unused net proceeds
Construction of the New Bangladesh Factory and Purchasing Machinery for the New Bangladesh Factory	98.4%	68,800	27,151	41,649	on or before 31 December 2022
General Working Capital	1.6%	1,100	1,100	–	N/A
Total	100%	69,900	28,251	41,649	

As of the date of this announcement, the Board is aware that there has been a delay in the use of proceeds from the Listing when compared to the implementation plan as disclosed in the Prospectus, which is because of the outbreak of COVID-19.

Save for the delay in use of proceeds, up to 30 June 2022, the Group had used the net proceeds as originally intended. Unutilised proceeds were deposited in licensed bank in Hong Kong.

Prospects

In view of the interest rate hike cycle and geopolitical tensions that are currently plaguing global operations, it is anticipated that the recovery of the global economy will suffer in the second half of 2022. The challenging operating environment has accelerated industry integration, where only capable companies will prevail, providing them with a golden opportunity to expand their businesses and increase their market share. Although the market remains uncertain, the global pandemic is showing slight signs of relief, and the Group anticipates that the performance of the consumption industry will gradually improve, and the apparel labels and trim products industry still has growth potential.

The Group has a global sales network, factories across the world, a stable international client base, and diversified apparel labels and trim products that are on trend. These factors enable the Group to gain a head start over its peers, successfully constructing a foundation for long-term development and, allowing it to steadily move forward against all odds. The Group completed the majority of its global expansion-focused strategic arrangement in 2021 and the new factories in Bangladesh and Turkey will become operational soon. As a result of its global expansion efforts, the Group is able to flexibly allocate different resources, and thus seize huge opportunities during the post-pandemic period.

As RFID becomes more popular in logistics and new retail fields, the Group will continue to invest more in RFID technology. Given that the Group has more than 40 market bases all over the world, as well as the advantage of being able to directly discuss business with major brand clients, cross-selling, there is ample opportunity for cross-selling, which will allow the Group to achieve a higher market share ratio in the RFID product market. At the same time, the Group's development team will continue to develop RFID solutions, and will apply intellectual patents for self-developed products, so as to strengthen its technological advantage.

Following the completion of the acquisition of Print100, the Group plans to set up a new factory in Hong Kong, so as to enhance its production capacity and to satisfy the quick-print needs of the local market. The Group will also simultaneously expand its online retail operation in an effort to hasten the progress of its business development.

In recent years, the market has become more aware of ESG and is attaching greater importance to it, and the demand for environmentally friendly products from corporate clients and consumers is also increasing. The Group strives to satisfy such requests at the raw material level, as it assists clients to create environmentally friendly products that are customizable across various aspects, including offering more than 100 types of environmentally friendly materials that are natural, reproducible, recyclable and organic, etc. On the other hand, environmentally friendly ink is a crucial trend in the transformation of the printing industry. The Group has been using water-based ink or soy ink instead of solvent ink for many years, using 100% water-based ink when producing heat transfer labels, and adopting 100% carbon neutral digital printing ink for digital printers, all in a bid to achieve sustainable targets and to comply with the requirements of the global market.

Going forward, the Group will closely monitor the market environment, adjust its strategies and implement adaptive measures in a timely manner, and continue to discover and develop products with potential, while striving to achieve high-value production by upgrading and developing technologies, so as to sharpen its competitive edges and strengthen its profitability, thus creating the best returns for shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintain high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all code provisions of the Corporate Governance Code (“**CG Code**”) as set out in Appendix 14 to the Listing Rules for the Review Period. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“**Model Code**”) as set out in Appendix 10 to the Listing Rules as the Company’s code of conduct regarding Directors’ and employees’ securities transactions. Upon specific enquiries, all Directors and members of the senior management confirmed that they have complied with the relevant provisions of the Model Code throughout the period from the Listing Date to the date of this announcement.

INTERIM DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2022. (2021: Nil)

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, the Company maintained the prescribed public float of no less than 25% as required under the Listing Rules.

MATERIAL ACQUISITIONS AND DISPOSALS

On 27 January 2022 (after trading hours), the Company as the purchaser (the “**Purchaser**”) entered into a non-legally binding provisional sale and purchase agreement (the “**Provisional SPA**”) with Mr. Cheng Chung Fo, the sole shareholder (the “**Vendor**”) of Print100 Limited (the “**Target Company**”). Pursuant to the Provisional SPA, the Vendor has provisionally agreed to sell and the Purchaser has provisionally agreed to purchase 100% of the equity interests of the Target Company (the “**Acquisition**”), subject to the entering into a definitive formal sale and purchase agreement to be entered into between the parties (the “**Formal SPA**”). On 6 May 2022 the terms and conditions as set out in the Formal SPA have been fulfilled and the transaction contemplated thereunder was completed. For details of the Acquisition, please refer to the Company’s announcement dated on 27 January 2022 and 11 May 2022.

On 31 March 2022 (after trading hours), Charming Trim Lanka (PVT) Ltd, an indirect wholly-owned subsidiary of the Company, as the Lessee (the “**Lessee**”), entered into the Build & Lease Agreement (the “**Build & Lease Agreement**”) with Royal Will Global (Private) Limited as the Lessor (the “**Lessor**”), pursuant to which the Lessor agreed to complete the construction of the building on the land at its cost before the commencement date and the Lessee agreed to lease the Leased Properties for a term of 15 years commencing from the commencement date. The unaudited value of the right-of-use asset to be recognised by the Group under the Build & Lease Agreement shall amount to approximately USD883,028 (equivalent to approximately HK\$6,887,618) representing the present value of the total rental to be made under the Build & Lease Agreement during the lease term in accordance with HKFRS 16 “Leases”. For details of the Build & Lease Agreement, please refer to the Company’s announcement dated on 31 March 2022.

Save for the above, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Review Period.

SIGNIFICANT INVESTMENTS

During the Reporting Period, the Group did not hold any significant investments, the fair value of which accounted for more than 5% of the Group’s total assets.

EVENT AFTER REPORTING PERIOD

On 21 July 2022 (after trading hours), Charming Printing (Boluo) Ltd., an indirect wholly-owned subsidiary of the Company, as the purchaser (the “**Charming Printing**”), entered into the purchase contracts with Heidelberg Graphics (Beijing) Company Limited Shenzhen Branch, as the vendor (the “**Heidelberg Graphics**”), (the “**Purchase Contracts**”). On 1 August 2022, the Company announced that Charming Printing and Heidelberg Graphics have decided not to proceed with the Purchase Contracts and the transactions. For details of the transaction, please refer to the Company’s announcements dated on 21 July 2022 and 1 August 2022.

On 5 August 2022 (after trading hours), Yinyibai Digital Colour Printing (Shenzhen) Co., Ltd., an indirect wholly-owned subsidiary of the Company, as the purchaser (the “**Yinyibai**”), entered into the purchase contracts with Heidelberg Graphics, as the vendor, for the purchase of (i) a four-colour offset press printing machine and (ii) a high-speed cutter, at a total contract price of RMB8,935,000 (equivalent to approximately HK\$10,364,600). For details of the transaction, please refer to the Company’s announcement dated on 5 August 2022.

Save for the above, no significant events have occurred after the Reporting Period.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group had no material contingent liabilities (31 December 2021: Nil).

SHARE OPTION SCHEME

Share option scheme of the Company was adopted on 21 February 2020. At the six months ended 30 June 2022, the Company had 2,000,000 share options outstanding under the scheme (31 December 2021: 2,000,000 share options). No share options were granted, exercised, cancelled or lapsed during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

AUDIT COMMITTEE AND REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

Pursuant to Rule 3.21 of the Listing Rules, the Company established an Audit Committee with written terms of reference aligned with the CG Code. The Audit Committee comprises three independent non-executive Directors, namely Mr. Lam Chor Ki Dick, Mr. Lee Tak Cheong and Ms. Luk Mei Yan. The Audit Committee is chaired by Ms. Luk Mei Yan and is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties and responsibilities as assigned by the Board.

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2022, including the accounting principles and practices adopted by the Group, and discussed financial related matters. The Audit Committee is of the view that such financial information has complied with the applicable accounting standards and adequate disclosures have been made.

PUBLICATION OF INFORMATION ON THE STOCK EXCHANGE'S WEBSITE

This interim results announcement of the Company for the six months ended 30 June 2022 containing all the information required by the Listing Rules is published on the website of the Stock Exchange at www.hkexnews.hk and the website of the Company at www.cirtek.com. The interim report of the Company for the six months ended 30 June 2022 containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

FORWARD LOOKING STATEMENTS

This announcement contains forward looking statements with respect to the financial conditions, results of operations and business of the Group. These forward looking statements represent the Company's expectations or beliefs concerning future events and involve known and unknown risks and uncertainty that could cause actual results, performance or events to differ materially from those expressed or implied in such statements.

APPRECIATION

The Group's continued success depends on all its staff's commitment, dedication and professionalism. The Board would like to thank every member of staff for their diligence and dedication and to express its sincere appreciation to the shareholders, clients and suppliers for their continuous and valuable support to the Group.

By Order of the Board
Cirtek Holdings Limited
CHAN Sing Ming Barry
Chairman and Executive Director

Hong Kong, 30 August 2022

As at the date of this announcement, the Board comprises Mr. Chan Sing Ming Barry, Ms. Law Miu Lan and Mr. Chan Tsz Fung being executive Directors; and Mr. Lam Chor Ki Dick, Mr. Lee Tak Cheong and Ms. Luk Mei Yan being independent non-executive Directors.