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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 2024

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 2024 (the “**Reporting Period**”), which have been reviewed by the audit committee (the “**Audit Committee**”) of the Company, together with comparative figures for the corresponding period in 2023 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
REVENUE	4	264,519	160,255
Cost of sales		(140,345)	(97,329)
Gross profit		124,174	62,926
Other income and gains	4	3,933	5,778
Selling and distribution expenses		(31,557)	(29,554)
Administrative expenses		(57,323)	(55,008)
Other expenses		(324)	(253)
Finance costs		(1,263)	(1,641)
Share of profits/(losses) of an associate		208	(315)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(continued)

For the six months ended 30 June 2024

		Six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
PROFIT/(LOSS) BEFORE TAX	5	37,848	(18,067)
Income tax expense	6	<u>(6,556)</u>	<u>(694)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>31,292</u>	<u>(18,761)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY		HK cents	HK cents
– Basic	8	<u>1.56</u>	<u>(0.94)</u>
		HK cents	HK cents
– Diluted	8	<u>1.56</u>	<u>(0.94)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	<u>31,292</u>	<u>(18,761)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences		
Exchange differences on translation of foreign operations, net	<u>(9,979)</u>	<u>(9,854)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>21,313</u>	<u>(28,615)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

		30 June 2024 (Unaudited) <i>HK\$'000</i>	31 December 2023 (Audited) <i>HK\$'000</i>
	<i>Notes</i>		
NON-CURRENT ASSETS			
Property, plant and equipment	9	146,987	141,157
Right-of-use assets		31,878	31,038
Prepayments and deposits		2,783	2,671
Other intangible assets		632	675
Financial asset at fair value through profit or loss		6,034	5,940
Investment in an associate		5,889	5,681
Deferred tax assets		476	506
		194,679	187,668
CURRENT ASSETS			
Inventories		64,506	70,163
Trade receivables	10	45,951	44,912
Prepayments, deposits and other receivables		22,203	17,877
Pledged deposits		4,341	14,575
Cash and cash equivalents		56,764	34,158
Tax recoverable		73	72
		193,838	181,757
CURRENT LIABILITIES			
Trade payables	11	54,938	57,323
Other payables and accruals		56,521	51,167
Interest-bearing bank borrowings		13,448	21,784
Lease liabilities		10,189	10,401
Tax payable		17,088	12,484
		152,184	153,159
NET CURRENT ASSETS		41,654	28,598
TOTAL ASSETS LESS CURRENT LIABILITIES		236,333	216,266

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

As at 30 June 2024

		30 June	31 December
		2024	2023
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payables		291	3,417
Interest-bearing bank borrowings		–	1,331
Lease liabilities		17,971	14,664
Deferred tax liabilities		1,726	1,822
		<hr/>	<hr/>
Total non-current liabilities		19,988	21,234
		<hr/>	<hr/>
Net assets		216,345	195,032
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	20,000	20,000
Reserves		196,345	175,032
		<hr/>	<hr/>
Total equity		216,345	195,032
		<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 Third 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 current period, the Group was 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, is also the ultimate holding company of the Company.

2.1 BASIS OF PREPARATION

The unaudited interim condensed consolidated financial information for the six months ended 30 June 2024 has been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 *Interim Financial Reporting* and the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). The unaudited 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 2023.

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 2023, 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 16	<i>Lease Liability in a Sale and Leaseback</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current</i> (the “ 2020 Amendments ”)
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants</i> (the “ 2022 Amendments ”)
Amendments to HKAS 7 and HKFRS 7	<i>Supplier Finance Arrangements</i>

The adoption of the above revised HKFRSs has had no significant financial effect on this interim condensed consolidated financial information. The Group has not early adopted any new and revised HKFRSs that has been issued but not yet effective in the current accounting period.

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	
	2024	2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Chinese Mainland	93,527	59,815
Bangladesh	44,476	20,225
Hong Kong	27,293	26,276
Vietnam	21,610	12,926
India	15,940	7,052
United States of America	7,797	4,740
Other countries/regions	53,876	29,221
	<hr/>	<hr/>
Total revenue	264,519	160,255

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

(b) *Non-current assets*

	30 June	31 December
	2024	2023
	(Unaudited) HK\$'000	(Audited) HK\$'000
Chinese Mainland	65,969	72,813
Bangladesh	54,227	52,248
Hong Kong	27,325	20,707
Vietnam	9,535	8,349
Other countries/regions	28,397	24,697
	<hr/>	<hr/>
Total non-current assets	185,453	178,814

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

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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
<i>(i) Disaggregated revenue information</i>		
Types of goods or services		
Sale of printing products	<u>264,519</u>	<u>160,255</u>
Geographical markets		
Chinese Mainland	93,527	59,815
Bangladesh	44,476	20,225
Hong Kong	27,293	26,276
Vietnam	21,610	12,926
India	15,940	7,052
United States of America	7,797	4,740
Others countries/regions	<u>53,876</u>	<u>29,221</u>
Total	<u>264,519</u>	<u>160,255</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>264,519</u>	<u>160,255</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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Sale of printing products	<u>11,616</u>	<u>9,564</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 2024 and 2023 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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Other income and gains		
Freight and transportation income	104	156
Interest income	218	308
Sale of scrap materials	749	735
Government grants*	138	596
Foreign exchange differences, net	1,126	2,663
Gain on disposal of items of property, plant and equipment, net	282	–
Fair value gain on financial assets at fair value through profit or loss, net	94	89
Others	1,222	1,231
	<hr/>	<hr/>
Total	3,933	5,778

* 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 during the current period. In the prior period, it also included the government grant from the Employment Support Scheme from the Hong Kong government in respect of COVID-19 related subsidies. As at 30 June 2024 and 2023, there were no unfulfilled conditions or other contingencies attaching to the government grants that had been recognised by the Group.

5. PROFIT/(LOSS) BEFORE TAX

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

	For the six months ended 30 June	
	2024	2023
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Cost of sales [#]	140,345	97,329
Depreciation of property, plant and equipment	10,258	8,710
Depreciation of right-of-use assets	6,397	5,878
Amortisation of other intangible assets	31	419
Short-term lease expenses	857	413
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	73,945	70,786
Pension scheme contributions (defined contribution scheme) ^{##}	4,649	4,479
	<hr/>	<hr/>
Total	78,594	75,265
	<hr/>	<hr/>
Foreign exchange differences, net	(1,126)	(2,663)
Impairment of trade receivables, net*	324	33
(Gain)/loss on disposal of items of property, plant and equipment, net ^{**}	(282)	220
	<hr/>	<hr/>

* 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 2024 and 2023.

** This item included in "Other income and gains" (2023: "Other expenses") on the face of the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2024.

Cost of inventories sold includes HK\$39,899,000 (2023: HK\$35,961,000) 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.

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is qualifying entity under the two-tiered profits tax rates regime. The first HK\$2,000,000 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. In the prior year, 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. PRC tax was provided at the rate of 25% (2023: 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% (2023: 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	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	948	–
Current – Elsewhere		
Charge for the period	5,578	694
Deferred	30	–
	<hr/>	<hr/>
Total tax charge for the period	<u>6,556</u>	<u>694</u>

7. DIVIDEND

The Board of Directors do not recommend the payment of any interim dividend in respect of the six months ended 30 June 2024 (2023: Nil).

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount is based on the profit for the six months ended 30 June 2024 attributable to ordinary equity holders of the Company of HK\$31,292,000 (Loss for the six months ended 30 June 2023 attributable to ordinary equity holders of the Company of HK\$18,761,000) and the weighted average number of ordinary shares of 2,000,000,000 (2023: 2,000,000,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 2024 and 2023 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired property, plant and equipment at a cost of approximately HK\$5,642,000 (six months ended 30 June 2023: HK\$10,520,000).

10. TRADE RECEIVABLES

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Trade receivables	46,929	45,566
Impairment	(978)	(654)
	<hr/>	<hr/>
Net carrying amount	45,951	44,912
	<hr/>	<hr/>

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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 1 month	32,450	24,438
1 to 2 months	6,709	12,751
2 to 3 months	2,492	3,911
Over 3 months	4,300	3,812
	<hr/>	<hr/>
Total	45,951	44,912
	<hr/>	<hr/>

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 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Within 1 month	19,892	16,593
1 to 2 months	14,567	12,272
2 to 3 months	11,927	10,389
Over 3 months	8,552	18,069
	<hr/>	<hr/>
Total	54,938	57,323

The trade payables are non-interest-bearing and are normally settled on 30 to 150-day terms (2023: 30 to 150-day terms).

12. SHARE CAPITAL

Shares	30 June 2024 (unaudited) HK\$'000	31 December 2023 (audited) HK\$'000
Authorised:		
5,000,000,000 (31 December 2023: 5,000,000,000) ordinary shares of HK\$0.01 (31 December 2023: HK\$0.01) each	<hr/> 50,000	<hr/> 50,000
Issued and fully paid:		
2,000,000,000 (31 December 2023: 2,000,000,000) ordinary shares of HK\$0.01 (31 December 2023: HK\$0.01) each	<hr/> 20,000	<hr/> 20,000

13. COMMITMENTS

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

	30 June 2024 (Unaudited) HK\$'000	31 December 2023 (Audited) HK\$'000
Contracted, but not provided for:		
Plant and machinery	<u>3,418</u>	<u>1,947</u>

14. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
		2024	2023
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	HK\$'000
Associate:			
Sales of products	<i>(i)</i>	1,104	300
Commission expenses	<i>(ii)</i>	<u>2,364</u>	<u>576</u>

Notes:

- (i) The sales to the associate were made according to the published prices offered to the major customers of the Group, except that a longer credit period of up to six months is normally granted.
- (ii) The commission expense arose from the sale of products of a subsidiary arranged by the associate, which in return received a commission based on 3% to 5% of the transaction value.

(b) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2024	2023
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Salaries, allowances and benefits in kind	3,771	3,556
Pension scheme contributions	<u>27</u>	<u>27</u>
Total	<u>3,798</u>	<u>3,583</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The global economy continued to stabilise gradually in the first half of 2024, with inflation rates in various countries coming down slightly from their peaks in 2023, thereby helping to boost economic activities. While the “World Economic Situation and Prospects as of mid-2024” issued by the United Nations shows that the global economic outlook has improved since January this year, interest rate hikes, coupled with geopolitical tensions, have continued to stifle economic growth. In the first half of 2024, despite the different challenges in the macro-environment, major economies still managed to record growth. Chinese Mainland and the United States saw a 5.0% and 2.1% growth year-on-year in gross domestic product (GDP), respectively, and the Eurozone had a quarter-on-quarter growth of 0.3% in the second quarter of the year. Retail and apparel exports also showed signs of recovery in various regions, with overall retail sales in the United States on a steady climb in the first half of 2024, recording an increase of 2.5% in sales orders between April and June compared to the corresponding period last year. During the six months ended 30 June 2024 (the “**Review Period**”), the volume of apparel exports from Chinese Mainland and Vietnam to the European Union also exhibited growth. Over the past several years, in addition to diversifying our product portfolio, the Group has diligently established an extensive global network of sales and production facilities at strategic locations, cultivating a multinational business presence. Amidst the prevailing uncertainties in the external environment, the Group capitalized on the recovery trends observed in certain markets by leveraging the increasing effectiveness of our global footprint, and successfully transitioned to a profitable position in the first half of the year.

The improving global economic trend since the second half of 2023 has helped bolster consumer sentiment, propelling industry development. Capitalising on the advantages of its global network of sales offices and production facilities, especially after its newly established Bangladesh plant became operational following relocation, coupled with its diverse product portfolio, the Group was able to seize immediate business opportunities and receive more orders from both existing and new customers, thus seeing a significant increase in sales. During the Review Period, the Group’s revenue increased by 65.1% to approximately HK\$264.5 million (first half of 2023: approximately HK\$160.3 million), compared to the corresponding period last year. Although some costs rose in line with the increase in sales, the Group’s gross profit margin rebounded to 46.9% (first half of 2023: 39.3%) during the Review Period due to economies of scale. In addition to the new plant in Bangladesh, the Group’s other new plants in Central America and Eastern Europe have also been operating smoothly, helping to improve operational efficiency and reduce costs. As a result, the Group turned around its business during the Review Period, recording profit attributable to owners of the Company of approximately HK\$31.3 million (2023: loss attributable to owners of the Company of approximately HK\$18.8 million).

In terms of sales and production, as the global economy picked up slightly, consumer sentiment in certain markets also showed some improvement. As sales of apparel brands in individual regions have rebounded, the Group has received increased orders in different parts of the world. With sales offices in over 40 markets around the globe and production bases in the world's top five textile and apparel exporting countries, namely Chinese Mainland, Vietnam, Bangladesh, India and Turkey, as well as in Central America, the Group has sufficient production capacity to immediately capture emerging market demand in those countries and regions. By consistently endeavoring to maintain stable relationships with existing customers, the Group has built a strong revenue base. Combined with sales contributions from the new factory in Bangladesh as well as the new factories in Central America and Eastern Europe, the Group was able to boost its overall sales performance during the Review Period.

On the product front, proactively offering a wide range of products and adopting diverse materials have enabled the Group to flexibly respond to ever-changing market demands, and thus it was able to bolster the sales volume of all major products during the Review Period. It is worth noting that with the application of the radio-frequency identification (RFID) technology gaining popularity, more and more high-end and large apparel brands are adopting RFID label products. With a global customer network in the apparel labels and trim products industry, the Group has also promoted and cross-sold relevant products to drive revenue growth. At the same time, prompted by the widening applications of RFID, the Group continued to develop and improve its RFID products and solutions during the Review Period to capture business opportunities and pave the way for future revenue growth. Moreover, heeding the rising market demand for environmentally friendly products, the Group is committed to sourcing biodegradable materials for customers, and is gradually shifting to using inks with less microplastics, in its bid to realise sustainability starting from raw materials through to production.

In February last year, the Group completed the acquisition of a partial stake in Primway S.A.R.L (“**Primway**”), a French packaging company with over 10 years of history, and integrated the relevant work into the Group's operation during the Review Period. In the first half of this year, leveraging its strong sales network in France and coverage of neighboring European countries, Primway has secured new customers and orders which contributes to the Group's revenue.

Business and Financial Review

Revenue

The Group's unaudited consolidated revenue for six months ended 30 June 2024 amounted to approximately HK\$264.5 million, representing a significantly increase of approximately 65.1% as compared with approximately HK\$160.3 million in the corresponding period of 2023.

The significantly increase in revenue was primarily due to a steady growth in revenue driven by a gradual recovery in demand for apparel brands in various regional markets, which led to an increase in customer orders.

Gross Profit

During the six months ended 30 June 2024, the Group's overall gross profit margin amounted to approximately HK\$124.2 million, representing a significantly increase of approximately 97.3% as compared with approximately HK\$62.9 million in the corresponding period of 2023.

The significantly increase in gross profit was mainly due to rigorous cost management and efficient deployment of resources.

Other Income and Gains

Other income mainly consists of foreign exchange gain, profit arising from sales of scrap materials, bank interest income and government grants.

Other income decreased by approximately 31.9% from approximately HK\$5.8 million in the first half of 2023 to HK\$3.9 million for six months ended 30 June 2024.

The decrease was due to decrease in foreign exchange gain and sales of scrap materials during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 6.8% from approximately HK\$29.6 million in the first half of 2023 to approximately HK\$31.6 million in the corresponding period of 2024.

The increase mainly represented the increase in headcount of sales representatives and sales activity, which included training new sales representatives and consultancy fee compared with the corresponding period of 2023.

Administrative Expenses

Administrative expenses increased by approximately 4.2% from approximately HK\$55.0 million in the first half of 2023 to approximately HK\$57.3 million in the corresponding period of 2024.

The increase was mainly due to increase in operating cost for expanding new subsidiaries during the Reporting Period.

Other Expenses

Other expenses represented the impairment of trade receivable during the Reporting Period.

Finance Costs

Finance costs mainly consists of the interest on bank loan and lease liabilities.

Finance costs amount to approximately HK\$1.3 million, representing an decrease of approximately 23.0% as compared with approximately HK\$1.6 million in the corresponding period of 2023.

The decrease was due to the repayment of certain bank loans during the Reporting Period.

Taxation

Income tax expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rate prevailing in the relevant jurisdictions.

Income tax expenses in the first half of 2024 amount to approximately HK\$6.6 million, representing a significantly increase from approximately HK\$ 0.7 million in the first half of 2023.

The above change was mainly due to the improvement of the operating environment as profit seeking in different subsidiaries during the Reporting Period.

Profit/(Loss) for the period

Reported net profit for the first half of 2024 was approximately HK\$31.3 million compared with the net loss of approximately HK\$18.8 million in the first half of 2023.

The recovery for the financial performance mainly due to the steady growth in revenue of the Group during the Reporting Period driven by a gradual recovery in demand for apparel brands in various regional markets, which led to an increase in customer orders with rigorous cost management and efficient deployment of resources.

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 2024, the Group had net current assets of approximately HK\$41.7 million (31 December 2023: approximately HK\$28.6 million) including inventories of approximately HK\$64.5 million (31 December 2023: approximately HK\$70.2 million), trade receivables of approximately HK\$46.0 million (31 December 2023: approximately HK\$44.9 million) and trade payables of approximately HK\$54.9 million (31 December 2023: approximately HK\$57.3 million).

As at 30 June 2024, cash and cash equivalents for the Group accounted for approximately HK\$56.8 million (31 December 2023: approximately HK\$34.2 million) which mainly approximately HK\$10.0 million (31 December 2023: approximately HK\$5.8 million) was denominated in Hong Kong Dollars, approximately HK\$26.6 million (31 December 2023: approximately HK\$15.2 million) was denominated in US Dollars, approximately HK\$1.3 million (31 December 2023: approximately HK\$1.2 million) was denominated in EUR Dollars, and approximately HK\$5.8 million (31 December 2023: approximately HK\$2.7 million) was denominated in Renminbi. The Group's cash in HK Dollars, US Dollars, EUR Dollars and Renminbi was held to support its core operational needs.

As at 30 June 2024, the Group had interest-bearing bank borrowings of approximately HK\$13.4 million (31 December 2023: approximately HK\$23.1 million) and aggregate banking facilities of approximately HK\$120.5 million (31 December 2023: approximately HK\$130.0 million), of which approximately HK\$10.6 million (31 December 2023: approximately HK\$23.1 million) was utilised and approximately HK\$110.0 million (31 December 2023: approximately HK\$106.9 million) was unutilised.

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) improved as approximately 1.27 times as at 30 June 2024 compared to approximately 1.19 times as at 31 December 2023. The gearing ratio (dividing bank borrowings plus lease liabilities by equity attributable to owners of the Company) was approximately 19.2% as at 30 June 2024, while the gearing ratio as at 31 December 2023 was approximately 24.7%. 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, Euro dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. 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 2024.

The Group will continue to monitor its foreign currency exposure and consider hedging significant currency exposure should the need arise.

Charges on Group Assets

As at 30 June 2024, certain of the Group's plant and machinery with a net book value approximately HK\$7.2 million were pledged to secure certain bank loan granted to the Group. Also, a life insurance policy with a carrying amount of approximately HK\$6.0 million (31 December 2023: approximately HK\$5.9 million) was pledged to secure certain bank loans granted to the Group.

Prospects

The Group's business performance stabilised in the first half of 2024 due to the strengthening market conditions and improving consumer confidence and spending in certain regions, which can be demonstrated by the overall consumer confidence index in the United States rising to 100.3 in July 2024, including a 0.6% increase in June for the apparel and accessories retails sales sector as compared to the previous month. However, the global retail market still faces many challenges in the second half of the year. These include high interest rates and uncertain trade relationship between Chinese Mainland and the United States, adding volatility to the market. Nevertheless, the Group remains cautiously optimistic about its outlook, as it has built a global presence to effectively minimise risks and capture business opportunities.

After years of meticulous planning and implementation, the Group has moved gradually from the investment stage into the harvesting period. In the future, it will strive to consolidate its business foundation, actively push to increase revenue from markets in all regions, improve the operational efficiency of its plants and strengthen cost control, as well as make timely adjustments in response to market changes so as to achieve steady growth. RFID will remain as a key focus of the Group as the technology and its applications are still developing, leaving enormous room for growth. As leading brands increasingly adopt RFID products, the market is poised for significant growth, with other brands likely to follow suit. Furthermore, cognizant of the uncertain global economic landscape, the Group will steadfastly adhere to its prudent financial management strategy. This will entail minimising borrowings and bolstering flexibility in liquidity, with the aim of fortifying the resilience of its business operations in the face of adversity. Ultimately, this approach will enable the Group to maintain a robust financial position, equipping it to navigate market fluctuations and ensure the long-term sustainable development of its business.

The Group has placed much emphasis on environmental protection and sustainable development. In the past half year, it has installed solar panels on its factories in Chinese Mainland to help reduce carbon emissions. Apart from using renewable energy, the Group will also press on optimising in areas such as operation management, product design and raw materials choices to help it build a more environmentally friendly and sustainable business model.

Looking ahead, the Group will continue to make good use of its “offensive yet defensive” global footprint. It will pay close attention to market dynamics, make timely adjustments in allocating resources and to its market strategies, actively explore new business opportunities, expand its business coverage and diversify its business, so as to consolidate its core competitiveness and create long-term value 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 C1 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 C3 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 2024. (2023: 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

During the Reporting Period, the Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures.

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 23 July 2024, Charming Printing (Boluo) Ltd. (博羅縣常美印刷有限公司), a wholly-owned subsidiary of the Company, and Boluo County Shiwan Town Shiwan Village Yaowu Joint Stock Economic Cooperative (博羅縣石灣鎮石灣村姚屋股份經濟合作社), a rural collective economic organization in the PRC, entered into a lease in relation to the leasing of the factory located at No. 70, Honghai Road, Shiwan Village, Shiwan Town, Boluo County (the “**Lease**”). The value of the right-of-use asset to be recognised by the Group under the Lease is estimated to be approximately RMB34.0 million. For details of the Lease, please refer to the Company’s announcement dated 23 July 2024.

Save as disclosed above, there was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors after the six months ended 30 June 2024 and up to the date of this announcement.

CONTINGENT LIABILITIES

As at 30 June 2024, the Group had no material contingent liabilities (31 December 2023: Nil).

SHARE OPTION SCHEME

Share option scheme of the Company was adopted on 21 February 2020. At the six months ended 30 June 2024, the Company had 2,000,000 share options outstanding under the scheme (31 December 2023: 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 (including sales of treasury shares (as defined in the Listing Rules)). As at 30 June 2024, the Company did not hold any treasury shares.

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 2024, 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 2024 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 2024 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, 28 August 2024

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.