CIRTEK HOLDINGS LIMITED
常達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1433)

FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

The board (the "**Board**") of directors (the "**Directors**") of Cirtek Holdings Limited (the "**Company**") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2019 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	**For the year ended 31 December** **2019** ***HK$'000***	2018 *HK$'000*
REVENUE	*3*	**352,937**	371,883
Cost of sales		**(178,168)**	(209,473)
Gross profit		**174,769**	162,410
Other income and gains	*3*	**5,701**	3,642
Selling and distribution expenses		**(44,053)**	(40,343)
Administrative expenses		**(83,808)**	(76,849)
Other expenses		**(928)**	(305)
Finance costs	*5*	**(2,735)**	(2,770)
Listing expenses		**(11,030)**	(4,030)
PROFIT BEFORE TAX	*4*	**37,916**	41,755
Income tax expenses	*6*	**(11,434)**	(8,020)
PROFIT FOR THE YEAR		**26,482**	33,735
Attributable to:			
Owners of the Company		**25,331**	31,940
Non-controlling interests		**1,151**	1,795
		26,482	33,735
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS		***HK cents***	*HK cents*
– Basic and diluted	*8*	**1.69**	2.13

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**26,482**	33,735
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations	**772**	(932)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**27,254**	32,803
Attributable to:		
Owners of the Company	**26,178**	31,056
Non-controlling interests	**1,076**	1,747
	27,254	32,803

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2019** *HK$'000*	As at 31 December 2018 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**76,559**	83,675
Prepayments and deposits		**1,307**	1,892
Right-of-use assets		**58,486**	67,857
Total non-current assets		**136,352**	153,424
CURRENT ASSETS			
Inventories		**44,565**	41,468
Trade receivables	*9*	**48,327**	41,668
Prepayments, deposits and other receivables		**12,972**	10,189
Due from the ultimate holding company		**22**	–
Due from a director		**290**	1,088
Cash and cash equivalents		**43,807**	22,958
Tax recoverable		**65**	51
Total current assets		**150,048**	117,422
CURRENT LIABILITIES			
Trade payables	*10*	**35,381**	30,495
Other payables and accruals		**32,557**	34,723
Interest bearing bank borrowings		**18,257**	12,737
Dividend payable		**–**	10,500
Due to directors		**403**	8,655
Lease liabilities		**11,626**	15,195
Tax payable		**10,353**	1,146
Total current liabilities		**108,577**	113,451
NET CURRENT ASSETS		**41,471**	3,971
TOTAL ASSETS LESS CURRENT LIABILITIES		**177,823**	157,395

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31 December 2019	As at 31 December 2018
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Other payables	**841**	993
Interest bearing bank borrowings	**2,469**	–
Lease liabilities	**30,209**	39,360
Deferred tax liabilities	**334**	326
Total non-current liabilities	**33,853**	40,679
Net assets	**143,970**	116,716
EQUITY		
Equity attributable to owners of the parent		
Share capital	**–***	–
Reserves	**143,970**	112,762
	143,970	112,762
Non-controlling interests	**–**	3,954
Total equity	**143,970**	116,716

* Less than HK$500

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Merger reserve	Exchange fluctuation reserve	Retained profits	Total	Non-controlling interest	Total equity
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	–	–	2,920	(5,489)	84,275	81,706	2,207	83,913
Profit for the year	–	–	–	–	31,940	31,940	1,795	33,735
Other comprehensive loss for the year								
Exchange differences on translation of foreign operations	–	–	–	(884)	–	(884)	(48)	(932)
Total comprehensive income for the year	–	–	–	(884)	31,940	31,056	1,747	32,803
At 31 December 2018 and 1 January 2019	–	–	2,920*	(6,373)*	116,215*	112,762	3,954	116,716
Profit for the year	–	–	–	–	25,331	25,331	1,151	26,482
Other comprehensive income for the year								
Exchange differences on translation of foreign operations	–	–	–	847	–	847	(75)	772
Total comprehensive income for the year	–	–	–	847	25,331	26,178	1,076	27,254
Issue of a new share upon incorporation of the Company	–#	–	–	–	–	–#	–	–#
Acquisition of subsidiaries under common control pursuant to the Reorganisation	–	201,488	(196,458)	–	–	5,030	(5,030)	–
At 31 December 2019	–#	201,488*	(193,538)*	(5,526)*	141,546*	143,970	–	143,970

* These reserve accounts comprise the consolidated reserves of HK$143,970,000 and HK$112,762,000 in the consolidated statement of financial position as at 31 December 2019 and 31 December 2018, respectively.

Less than HK$500

NOTES TO FINANCIAL STATEMENTS

1.1 CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman KY1-1108, 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. The Company's subsidiaries were engaged in the manufacturing and sale of printing products during the year.

1.2 BASIS OF PRESENTATION

For the listing of the Company's shares on the Stock Exchange, the Company underwent a group reorganisation (the "**Reorganisation**"), further details of which are set out in the Company's prospectus dated 28 February 2020. Pursuant to the Reorganisation, the Company became the holding company of the companies now comprising the Group on 28 May 2019. The companies now comprising the Group were under the common control of Mr. Barry Chan Sing Ming ("**Mr. Barry Chan**") and Ms. Candy Law Miu Lan ("**Ms. Candy Law**") (collectively the "**Controlling Shareholders**"), who are spouses and have been acting in concert for control over the Group before and after the Reorganisation. Accordingly, these financial statements have been prepared by applying the principles of merger accounting as if the Reorganisation had been completed at the beginning of the year ended 31 December 2018.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the years ended 31 December 2019 and 2018 include the results and cash flows of all companies now comprising the Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period. The consolidated statement of financial position of the Group as at 31 December 2019 and 2018 have been prepared to present the assets and liabilities of the subsidiaries and/or business using the existing book values from the Controlling Shareholders' perspectives. No adjustments are made to reflect fair values, or recognise any new assets or liabilities as a result of the Reorganisation.

Equity interest in subsidiaries and/or businesses held by the parties other than the controlling shareholders prior to the Reorganisation are presented as non-controlling interests in equity in applying the principles of merger accounting.

All intra-group transactions and balances have been eliminated on consolidation.

1.3 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all HKFRSs, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the HKICPA, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

All HKFRSs effective for the accounting period commencing from 1 January 2019, together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the financial statements for the year ended 31 December 2018.

These financial statements have been prepared under the historical cost convention and are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

1.4 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2019. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between shareholders of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

All HKFRSs effective for accounting period commencing from 1 January 2019 have been early adopted by the Group in the preparation of the financial statements for the year ended 31 December 2018.

2. OPERATING SEGMENT INFORMATION

For management purposes, the Group has only one reportable operating segment which is the manufacture and sale of printing products. Accordingly, no segment information is presented.

Geographical information

(a) Revenue from external customers

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**97,895**	112,996
Mainland China	**88,362**	92,602
Bangladesh	**34,264**	37,350
Vietnam	**20,688**	19,382
United States	**17,429**	19,074
Others	**94,299**	90,479
	352,937	371,883

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

(b) Non-current assets

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Hong Kong	**8,437**	11,028
Mainland China	**93,355**	104,393
Bangladesh	**15,823**	18,548
Other countries	**17,868**	18,340
	135,483	152,309

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

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 year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Customer A	**38,908**	47,725

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

3. REVENUE AND 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 and other income and gains is as follows:

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Revenue from contract with customers		
(i) Disaggregated revenue with information		
Type of goods or services		
Sale of printing products	**352,937**	371,883
Geographical markets		
Hong Kong	**97,895**	112,996
Mainland China	**88,362**	92,602
Bangladesh	**34,264**	37,350
Vietnam	**20,688**	19,382
United States	**17,429**	19,074
Others	**94,299**	90,479
Timing of revenue recognition		
Goods transferred at a point in time	**352,937**	371,883

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

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Sale of printing products	**8,416**	9,518

(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 give rise to variable consideration subject to constraint.

As the remaining performance obligations (unsatisfied or partially satisfied) as at 31 December 2019 and 2018 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 year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Other income and gains		
Freight and transportation income	**536**	162
Interest income	**7**	8
Sale of scrap materials	**2,011**	421
Write-back of trade payables	**–**	472
Government grant*	**532**	308
Foreign exchange differences, net	**1,446**	1,418
Others	**1,169**	853
	5,701	3,642

* As at 31 December 2019 and 2018, there were no unfulfilled conditions or other contingencies attaching to the government grant that had been recognised by the Group.

4. PROFIT BEFORE TAX

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

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Cost of inventories sold#	**178,168**	209,473
Depreciation of property, plant and equipment	**17,326**	15,088
Depreciation of right-of-use assets	**11,224**	10,909
Short-term lease expenses	**43**	–
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**104,710**	99,654
Pension scheme contributions	**11,828**	11,484
	116,538	111,138
Government grant**	**(532)**	(308)
Auditor's remuneration	**1,611**	736
Listing expenses	**11,030**	4,030
Foreign exchange differences, net	**(1,446)**	(1,418)
Impairment of trade receivables*	**833**	9
Loss/(gain) on disposal of items of property, plant and equipment*	**(87)**	248
Loss on disposal of items of right-of-use assets*	**58**	77

* These items are included in "Other expenses" on the face of the consolidated statement of profit or loss.

** Government grant has been received from the local government. It mainly represented compensation of the unemployment insurance paid to local government and the acquisition of the Group's new machineries, which are transferred from deferred income to profit or loss over the useful lives of the relevant assets. There are no unfulfilled conditions or contingencies relating to these grants.

\# Cost of inventories sold includes HK$67,326,000 (2018: HK$64,003,000) of employee benefits 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.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	2019	2018
	HK$'000	*HK$'000*
Interest on bank loans	**601**	441
Interest on lease liabilities	**2,134**	2,329
	2,735	2,770

6. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (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% (2018: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profit tax rates regime effective from the year of assessment 2018/2019. The first HK$2,000,000 (2018: Nil) of assessable profits of this subsidiary is taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. Tax in the People's Republic of China (the "**PRC**") has been provided at the rate of 25% (2018: 25%) on the estimated assessable profits arising in the PRC during the year. 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 is subject to a tax rate of 21% (2018: 21%) at the federal level during the year and is 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 year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**7,842**	7,725
Current – Elsewhere		
Charge for the year	**3,584**	1,506
Deferred	**8**	(1,211)
Total tax charge for the year	**11,434**	8,020

7. DIVIDENDS

	For the year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Special dividend	**10,000**	–

The special dividend for the year has been declared and approved by the Company's shareholders at the board meeting held, and was paid to the then shareholders in February 2020.

The Directors have decided not to declare final dividend for the year ended 31 December 2019.

8. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to the owners of the Company of HK$25,331,000 (2018: HK$31,940,000), and on the basis of 1,500,000,000 shares of the Company in issue, which represents the number of shares of the Company immediately after the reorganisation and capitalisation issue, but excluding the 500,000,000 shares issued pursuant to the share offer of the Company for its listing on the Main Board of The Stock Exchange of Hong Kong Limited on the Listing Date, as if these shares issued under the reorganisation and the capitalisation issue had been issued on 1 January 2018.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2019 and 2018 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2019 and 2018.

9. TRADE RECEIVABLES

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**48,675**	41,708
Impairment	**(348)**	(40)
	48,327	41,668

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 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:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**30,689**	24,393
1 to 2 months	**12,539**	10,794
2 to 3 months	**2,023**	2,937
Over 3 months	**3,076**	3,544
	48,327	41,668

The movements in the loss allowance for impairment of trade receivables are as follows:

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
At beginning of year	**40**	31
Impairment losses	**833**	9
Amount written off as uncollectible	**(525)**	–
At end of year	**348**	40

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e. by geography and customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

As at 31 December 2019

		Past due			
	Current	1 to 30 days	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.30%	0.69%	1.29%	4.08%	0.71%
Gross carrying amount *(HK$'000)*	28,670	13,427	3,560	3,018	48,675
Expected credit losses *(HK$'000)*	86	93	46	123	348

As at 31 December 2018

		Past due			
	Current	1 to 30 days	1 to 3 months	Over 3 months	Total
Expected credit loss rate	0.03%	0.05%	0.12%	1.22%	0.10%
Gross carrying amount *(HK$'000)*	22,934	12,858	4,023	1,893	41,708
Expected credit losses *(HK$'000)*	6	6	5	23	40

10. TRADE PAYABLES

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

	As at 31 December	
	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**29,573**	23,186
1 to 2 months	**3,762**	5,014
2 to 3 months	**1,279**	1,120
Over 3 months	**767**	1,175
	35,381	30,495

The trade payables are non-interest-bearing and are normally settled on 30 to 60-day terms.

MANAGEMENT DISCUSSION AND ANALYSIS

OUTLOOK

On 12 March 2020 (the "**Listing Date**"), the Company has successfully completed its global offering (the "**Global Offering**") and listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Listing remarks a significant milestone to the business development of the Group. On behalf of the Board, I would like to express our sincerest gratitude to all our shareholders and business partners for the continuous support for the Company.

Looking ahead to the current year, due to the outbreak of the novel coronavirus ("**COVID-19**"), the Group's operational and financial performance, as well as the apparel labels and trim products manufacturing market in general are expected to be affected by the pandemic in the first half of 2020. However, we believe that there will still be a positive growth in the apparel labels and trim products manufacturing market for 2020, and the Group continues to overcome the challenges amidst changes in the global market environments by boosting our efficiency and increasing our profitability through more effective management across our technology, operations and marketing activities, and continued collaboration with our customers and suppliers.

The Directors and staff of the Group would thrive their best on the continuous development of the Group's business so as to create more benefits for the shareholders and the society.

REVIEW OF OPERATION

The Group is principally engaged in the manufacturing and sales of apparel labels and trim products, such as hang tags, woven labels, printed labels and heat transfer products. The Group has been serving worldwide trim and packaging needs and most of the Group's products were ultimately used as hang tags and labels on finished garments of the garment brand companies.

During the year, the revenue of the Group has decreased slightly by approximately 5.1% while comparing with corresponding period for 2018 due to the global economic downturn which led to lower demand of apparel related products. The Group will continue to seek opportunities to realise sustainable growth of its business and to increase its shareholders' value by increasing its production capacity and customer base.

Through the net proceeds of approximately HK$74.9 million raised under the Global Offering, the Group will be able to increase the production capacity in Bangladesh by the construction of a new production facility in Bangladesh (the "**New Bangladesh Factory**") and the purchase of machinery for the New Bangladesh Factory. The expansion will help the Group capture business opportunities arose from the growth in the demand for apparel labels and trim products in Bangladesh.

Revenue

The Group's revenue decreased by approximately HK$18.9 million to approximately HK$352.9 million for the year ended 31 December 2019. The decrease in revenue was mainly due to (i) the decrease in sales to Customer A of approximately HK$8.8 million and (ii) the decrease in average sales price of the Group's products to approximately HK$0.25 per piece for the year ended 31 December 2019 from approximately HK$0.28 per piece for the corresponding period in 2018, which was partially offset by the increase in sales volume by approximately 4.8% for the year ended 31 December 2019 as compare to the corresponding period in 2018 as a result of the general increase in both the number of purchase orders from our customers as well as the size of the purchase orders.

Gross profit and gross profit margin

Gross profit increased by approximately HK$12.4 million to approximately HK$174.8 million for the year ended 31 December 2019. The increase in gross profit was mainly due to (i) the depreciation of Renminbi against Hong Kong dollars during the period which led to lower cost of raw materials consumed and direct labour in terms of Hong Kong dollars; and (ii) decrease in subcontracting fee, which was partially offset by the decrease in revenue for the period.

As a result of the foregoing, our gross profit margin increased from approximately 43.7% during the year ended 31 December 2018 to approximately 49.5% for the year ended 31 December 2019.

Administrative expenses

Administrative expenses mainly included staff costs, depreciation, legal and professional fee. The increase in administrative expenses by approximately HK$7.0 million to HK$83.8 million for the year ended 31 December 2019 was mainly due to (i) an increase in staff cost mainly because of an increase in headcount in accounting and finance, and product development teams in Hong Kong and larger pension scheme contributions for the period; and (ii) an increase in depreciation mainly related to an increase in monthly rental of our new Hong Kong office in April 2018.

Selling and distribution expenses

Selling and distribution expenses mainly included staff cost, consultancy and commission expenses, travelling and entertainment. The increase in selling and distribution expenses by approximately HK$3.7 million to HK$44.1 million for the year ended 31 December 2019 was mainly because of increase in staff cost mainly due to the increase in headcount.

Other expenses

Other expenses mainly included (i) net foreign exchange losses; (ii) net recognition/(reversal) of impairment losses on trade receivables; (iii) loss on disposal of items of property, plant and equipment; and (iv) others.

Other expenses increased by approximately HK$0.6 million to HK$0.9 million for the year ended 31 December 2019.

Other income and gains

Other income and gains mainly included income from net foreign exchange gains, write-back of trade payables, sales of scrap materials, government grant, freight and transportation income and others. For the year ended 31 December 2019, the other income and gains increased by approximately HK$2.1 million to HK$5.7 million.

Listing expenses

The Listing expenses comprise professional and other expenses in relation to the Listing. Listing expenses increased by approximately HK$7.0 million to HK$11.0 million for the year ended 31 December 2019.

Finance costs

Our finance costs comprise interest on bank loans and interest on lease liabilities. Finance costs amounted to approximately HK$2.7 million for the year ended 31 December 2019 (31 December 2018: HK$2.8 million).

Income tax expense

Income tax expense increased by approximately HK$3.4 million to approximately HK$11.4 million for the year ended 31 December 2019. The increase in income tax expenses was mainly due to higher estimated assessable profits of one of the Group's PRC companies.

Liquidity and capital resources

The net assets of the Group amounted to approximately HK$144.0 million as at 31 December 2019 (31 December 2018: HK$116.7 million). The increase in net assets was primarily due to the profit generated from the operation during the current year.

The Group derives its working capital mainly from cash and cash equivalents and net cash generated from operating activities. The Directors expect that the Group will rely on the internally generated funds and utilise the net proceeds from the Listing allocated for working capital purpose to satisfy its working capital requirements.

As at 31 December 2019, the cash and bank balances of the Group amounted to approximately HK$43.8 million (31 December 2018: HK$23.0 million). The increase in cash and bank balances was primarily due to (i) the operating cash inflow and (ii) less purchase of items of property, plant and equipment during the year ended 31 December 2019 as compared to the prior year. For the HK$43.8 million, approximately HK$8.2 million was denominated in Hong Kong Dollars, approximately HK$23.6 million was denominated in US Dollars, and approximately HK$7.4 million was denominated in Renminbi. The Group's cash in US Dollars and Renminbi was held to support its core operational needs.

As at 31 December 2019, the Group's net current assets were approximately HK$41.5 million (31 December 2018: HK$4.0 million). The current ratio, being current assets over current liabilities, was approximately 1.4 as at 31 December 2019 (31 December 2018: 1.0).

As at 31 December 2019, the Group had approximately HK$20.7 million (2018: HK$12.7 million) interest-bearing bank borrowings. As at 31 December 2019, the Group had aggregate banking facilities of approximately HK$24.6 million, of which approximately HK$20.7 million was utilised and approximately HK$3.9 million was unutilised. The Group is not committed to draw down the unutilised amount.

The Group's certain lease liabilities are guaranteed by personal guarantee provided by the Company's controlling shareholders amounted to HK$54.6 million as at 31 December 2018 and decrease to HK$41.8 million as at 31 December 2019. Such personal guarantee has been replaced by corporate guarantees upon the Listing.

The gearing ratio is approximately 43.5% and 57.7% for the years ended 31 December 2019 and 31 December 2018, respectively.

For the year ended 31 December 2019, the Group recorded approximately HK$11.1 million in capital expenditures, which was primarily for the purchase of machineries.

CONTINGENT LIABILITIES

As at 31 December 2019, the Group had no material contingent liabilities (31 December 2018: nil).

EVENTS AFTER THE REPORTING PERIOD

The following significant events took place subsequent to 31 December 2019:

(i) Pursuant to the resolutions in writing of the shareholders of the Company passed on 21 February 2020, the directors were authorised to allot and issue a total of 1,499,999,750 shares credited as fully paid at par to each of the holders of the Company's shares whose names appear on the register of members of the Company at the close of business on 21 February 2020 in proportion of their shareholdings by way of capitalisation of the sum of HK$14,999,997.50 standing to the credit of the share premium account of the Company.

(ii) The Company's shares were listed on the Main Board of the Stock Exchange and 500,000,000 ordinary shares were issued at HK$0.25 per share on the Listing Date in connection with the Listing as detailed in the prospectus of the Company dated 28 February 2020 (the "**Prospectus**").

(iii) The recent escalation of COVID-19 coronavirus ("**COVID-19**") to a global pandemic in March 2020 has an adverse impact on market sentiment and posed challenge to the whole world. The Group will continue to closely monitor the development of the pandemic and take all possible reasonable measures to mitigate the effect on the Group's operations.

OUR EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2019, we had a total of 1,075 employees in all regions.

The Company's employee benefit expense (excluding directors' remuneration), including salaries, bonuses and other employee's benefits, amounted to approximately HK$116.5 million and approximately HK$111.1 million for the year ended 31 December 2019 and 2018, respectively. Remuneration packages are generally structured by reference to market terms and individual qualifications. Salaries and wages are normally reviewed annually based on performance appraisals and other relevant factors.

DIVIDEND

For the year ended 31 December 2019, a special dividend of HK$10.0 million was declared by our Company and the same was paid to the then shareholders in February 2020 prior to the Listing.

Save for the above, the Board does not recommend any final dividend for the year ended 31 December 2019 (2018: Nil).

USE OF PROCEEDS

Net proceeds from the Global Offering were estimated to be approximately HK$74.9 million after deducting all the direct costs associated with the Listing. Up to the date of this announcement, none of the net proceeds had been utilised. The Company intends to utilise the net proceeds according to the intentions previously disclosed.

As disclosed in the Company's allotment results announcement on 11 March 2020, the Company intends to utilise the net proceeds for the purposes and in the amounts set out below:

(i) approximately HK$68.8 million or 91.9% of the net proceeds from the Global Offering will be used for increasing our production capacity in Bangladesh by (a) the construction of the New Bangladesh Factory; and (b) purchasing machinery for the New Bangladesh Factory; and

(ii) approximately HK$6.1 million or 8.1 % of the net proceeds from the Global Offering will be used for the Group's working capital and general corporate purpose.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in the Prospectus and this announcement, the Group did not hold any significant investments in equity interest in any other companies and had no definite future plans for material investments and capital assets.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, redeemed or sold any of the Company's securities throughout the year ended 31 December 2019.

CODE ON CORPORATE GOVERNANCE PRACTICES

Our Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. Our Company has adopted the principles and code provisions of the Corporate Governance Code set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as the basis of our Company's corporate governance practices. The Corporate Governance Code has been applicable to our Company with effect from the Listing Date.

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.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme on 21 February 2020 (the "**Scheme**"). No share option has been granted since the adoption of the Scheme and there was no share option outstanding as at 31 December 2019.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely Dr. Wong Chi Wing (Chairman), Mr. Lee Tak Cheong and Mr. Lam Chor Ki Dick. The audit committee of the Company has reviewed the final results of the Group for the year ended 31 December 2019 and the accounting principles and practices adopted by the Group and discussed auditing, internal controls and financial reporting matters.

REVIEW OF PRELIMINARY ANNOUNCEMENT

The figures in respect of the Group's results for year ended 31 December 2019 as set out in this preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's consolidated financial statements for the year ended 31 December 2019. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement for the year ended 31 December 2019 is published on the website of Hong Kong Exchange and Clearing Limited at **www.hkexnews.hk** and the Company's website at **www.cirtek.com**. The annual report of the Company for the year ended 31 December 2019, containing information required by the Listing Rules, will be dispatched to shareholders of the Company and published on the above websites in due course in compliance with the requirements under the Listing Rules.

APPRECIATION

The Board would like to express its sincere appreciation to the shareholders, business partners and staff for their continuous support to the Group.

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

Hong Kong, 30 March 2020

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