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 2020

The board (the "**Board**") of directors (the "**Directors**") of Cirtek Holdings Limited (the "**Company**") is pleased to present the unaudited consolidated interim results of the Company and its subsidiaries (hereinafter collectively referred to as the "**Group**") for the six months ended 30 June 2020 together with comparative figures for the corresponding period in 2019 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**114,008**	171,005
Cost of sales		**(55,430)**	(84,038)
Gross profit		**58,578**	86,967
Other income and gains	*4*	**3,936**	3,822
Selling and distribution expenses		**(17,377)**	(23,919)
Administrative expenses		**(41,736)**	(40,708)
Other expenses		**(2,138)**	(129)
Finance costs		**(1,258)**	(1,157)
Listing expenses	*5*	**(10,607)**	(9,631)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2020

		Six months ended 30 June	
		2020	2019
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
PROFIT/(LOSS) BEFORE TAX	*5*	**(10,602)**	15,245
Income tax expenses	*6*	**(1,236)**	(3,980)
PROFIT/(LOSS) FOR THE PERIOD		**(11,838)**	11,265
Attributable to:			
Owners of the Company		**(11,838)**	10,114
Non-controlling interests		**–**	1,151
		(11,838)	11,265
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
– Basic and diluted	*8*	***HK cents***	*HK cents*
		(0.66)	0.67

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(11,838)**	11,265
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	**(925)**	(276)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD	**(12,763)**	10,989
Attributable to:		
Owners of the Company	**(12,763)**	9,913
Non-controlling interests	**–**	1,076
	(12,763)	10,989

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2020

	Notes	**30 June 2020 (Unaudited)** *HK$'000*	31 December 2019 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**69,529**	76,559
Prepayments and deposits		**4,162**	1,307
Right-of-use assets		**54,042**	58,486
Financial asset at fair value through profit or loss		**5,298**	–
Total non-current assets		**133,031**	136,352
CURRENT ASSETS			
Inventories		**50,461**	44,565
Trade receivables	*10*	**24,892**	48,327
Prepayments, deposits and other receivables		**8,183**	12,972
Due from the ultimate holding company		**–**	22
Due from a director		**–**	290
Cash and cash equivalents		**123,831**	43,807
Tax recoverable		**131**	65
Total current assets		**207,498**	150,048
CURRENT LIABILITIES			
Trade payables	*11*	**24,030**	35,381
Other payables and accruals		**27,565**	32,557
Interest-bearing bank borrowings		**17,382**	18,257
Due to directors		**–**	403
Lease liabilities		**9,245**	11,626
Tax payable		**11,550**	10,353
Total current liabilities		**89,772**	108,577
NET CURRENT ASSETS		**117,726**	41,471
TOTAL ASSETS LESS CURRENT LIABILITIES		**250,757**	177,823

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2020

	Note	**30 June 2020 (Unaudited) *HK$'000***	31 December 2019 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Other payables		**760**	841
Interest-bearing bank borrowings		**5,599**	2,469
Lease liabilities		**27,294**	30,209
Deferred tax liabilities		**334**	334
Total non-current liabilities		**33,987**	33,853
Net assets		**216,770**	143,970
EQUITY			
Equity attributable to owners of the parent			
Share capital	*12*	**20,000**	–*
Reserves		**196,770**	143,970
Total equity		**216,770**	143,970

* Less than HK$500

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 PO 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.

On 12 March 2020, the shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

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

Charming International Limited, 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 2020 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 2019.

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 2019, 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	*Definition of a Business*
Amendments to HKFRS 9, HKAS 39 and HKFRS 7	*Interest Rate Benchmark Reform*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions (early adopted)*
Amendments to HKAS 1 and HKAS 8	*Definition of Material*

The adoption of the above revised HKFRSs has had no significant financial effect on this interim financial information and there have been no significant changes to the accounting policies applied in this interim 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Hong Kong	**33,284**	45,726
Mainland China	**30,879**	47,797
Bangladesh	**11,579**	17,155
Vietnam	**7,497**	10,716
United States	**8,791**	8,908
Turkey	**1,858**	9,283
Other countries	**20,120**	31,420
	114,008	171,005

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

(b) Non-current assets

	30 June	31 December
	2020	2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**6,214**	8,437
Mainland China	**85,376**	93,355
Bangladesh	**14,254**	15,823
Others	**20,990**	17,868
	126,834	135,483

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 six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**11,694**	17,234

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

4. 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 six months ended 30 June	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers		
(i) Disaggregated revenue with information		
Types of goods or services		
Sale of printing products	**114,008**	171,005
Geographical markets		
Hong Kong	**33,284**	45,726
Mainland China	**30,879**	47,797
Bangladesh	**11,579**	17,155
Vietnam	**7,497**	10,716
United States	**8,791**	8,908
Turkey	**1,858**	9,283
Others	**20,120**	31,420
	114,008	171,005
Timing of revenue recognition		
Goods transferred at a point in time	**114,008**	171,005

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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Sale of printing products	**3,979**	8,416

(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 2020 and 2019 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income and gains		
Freight and transportation income	**276**	153
Interest income	**920**	4
Sale of scrap materials	**678**	1,036
Government grants*	**846**	268
Foreign exchange differences, net	**–**	1,255
Gain on disposal of items of property, plant and equipment	**668**	–
Gain on derecognition of right-of-use assets, net	**14**	–
Others	**534**	1,106
	3,936	3,822

* As at 30 June 2020 and 2019, 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of inventories sold#	**55,430**	84,038
Depreciation of property, plant and equipment	**7,810**	6,698
Depreciation of right-of-use assets	**5,323**	5,618
Short-term lease expenses	**197**	–
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**43,941**	55,783
Pension scheme contributions	**2,533**	7,116
	46,474	62,899
Government grants**	**(846)**	(268)
Auditor's remuneration	**1,222**	369
Listing expenses	**10,607**	9,631
Foreign exchange differences, net*	**451**	(1,255)
Impairment of trade receivables*	**240**	–
Gain on disposal of items of property, plant and equipment	**(668)**	–
Gain on derecognition of right-of-use assets, net	**(14)**	–
Loss on disposal of items of right-of-use assets*	**–**	58
Fair value loss on financial asset at fair value through profit or loss*	**1,439**	–

* These items are included in "Other expenses" on the face of the consolidated statement of profit or loss for the six months ended 30 June 2020.

** 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, which 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 Hong Kong Government in respect of COVID-19-related subsidy during the current interim period. There are no unfulfilled conditions or contingencies relating to these grants.

Cost of inventories sold includes HK$23,754,000 (2019: HK$35,551,000) 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.

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% (2019: 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 (2019: 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%. PRC tax has been provided at the rate of 25% (2019: 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% (2019: 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	
	2020	2019
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the period	**1,208**	1,874
Current – Elsewhere		
Charge for the period	**28**	2,106
Total tax charge for the period	**1,236**	3,980

7. DIVIDENDS

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2020 (2019: Nil).

During the six months ended 30 June 2020, in February 2020, special dividends of HK$10,000,000 were declared and paid by the Company to the then shareholders. Investors who become shareholders of the Company ("**Shareholders**") after the listing of the Company on the Stock Exchange are not entitled to such special dividends.

8. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings/(loss) per share amount for the period ended 30 June 2020 is based on the loss for the period attributable to ordinary equity holders of the Company of HK$11,838,000 (profit for the six months ended 30 June 2019: HK$10,114,000) and the weighted average number of ordinary shares in issue of 1,804,945,055 (2019: 1,500,000,000), on the assumption that the Reorganisation and the capitalisation issue had been completed on 1 January 2019.

No adjustment has been made to the basic earnings per share amounts presented for the six months ended 30 June 2020 and 2019 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during the periods.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired property, plant and equipment of approximately HK$3,015,000 (six months ended 30 June 2019: HK$9,864,000).

As at 30 June 2020, certain of the Group's plant and machinery with a net book value of approximately HK$5,518,000 (31 December 2019: approximately HK$5,950,000) were pledged to secure certain bank loans granted to the Group.

10. TRADE RECEIVABLES

	30 June 2020 (Unaudited) ***HK$'000***	31 December 2019 (Audited) *HK$'000*
Trade receivables	**25,480**	48,675
Impairment	**(588)**	(348)
	24,892	48,327

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:

	30 June 2020 (Unaudited) ***HK$'000***	31 December 2019 (Audited) *HK$'000*
Within 1 month	**10,076**	30,689
1 to 2 months	**9,980**	12,539
2 to 3 months	**2,070**	2,023
Over 3 months	**2,766**	3,076
	24,892	48,327

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 2020	31 December 2019
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Within 1 month	**4,406**	29,573
1 to 2 months	**2,642**	3,762
2 to 3 months	**3,462**	1,279
Over 3 months	**13,520**	767
	24,030	35,381

The trade payables are non-interest-bearing and are normally settled on 30 to 150-day terms (31 December 2019: 30 to 60-day terms).

12. SHARE CAPITAL

	Number of Shares	**Share capital**
		HK$'000
Authorised:		
At 25 January 2019 (date of incorporation) with par value of HK$0.01 each and as at 31 December 2019 *(note a)*	3,800,000	38
Increase of authorised share capital with par value of HK$0.01 each on 21 February 2020 *(note b)*	4,996,200,000	49,962
As at 30 June 2020	5,000,000,000	50,000

	Number of Shares	Share capital HK$'000
Issued and fully paid:		
Issue of a new share upon incorporation of the Company *(note a)*	1	–*
Acquisition of subsidiaries under common control pursuant to the Reorganisation	249	–*
As at 31 December 2019	250	–*
Capitalisation of shares *(note c)*	1,499,999,750	15,000
Shares issued pursuant to the share offer *(note d)*	500,000,000	5,000
As at 30 June 2020	2,000,000,000	20,000

* Less than HK$500

Notes:

(a) The Company was incorporated on 25 January 2019 with initial authorised share capital of HK$38,000 divided into 3,800,000 shares with a par value of HK$0.01 each. On the date of incorporation, 1 ordinary share of HK$0.01 was allotted and issued by the Company.

(b) On 21 February 2020, the authorised share capital of the Company was increased from HK$38,000 divided into 3,800,000 shares to HK$50,000,000 divided into 5,000,000,000 shares by the creation of an additional 4,996,200,000 shares of par value of HK$0.01 each.

(c) 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.

(d) The Company's shares were listed on the Main Board of the Stock Exchange on 12 March 2020 and 500,000,000 ordinary shares were issued at HK$0.25 per share on 12 March 2020 in connection with the listing of the Company's shares on the Main Board of the Stock Exchange.

13. COMMITMENTS

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

	30 June 2020 (Unaudited) *HK$'000*	31 December 2019 (Audited) *HK$'000*
Contracted, but not provided for:		
Plant and machinery	**3,151**	231

14. RELATED PARTY TRANSACTIONS

(a) Outstanding balances with directors

As at December 2019, the Group had balances due to directors of HK$403,000.

The above balances were unsecured, interest-free, repayable on demand and of non-trade nature.

(b) Other transactions with related parties

(i) As at 31 December 2019, the bank loans were guaranteed by personal guarantees given by Mr. Barry Chan and Ms. Candy Law (collectively the "**Controlling Shareholders**") of up to HK$48,895,000.

(ii) Certain of the Group's lease liabilities were guaranteed by personal guarantees provided by the Controlling Shareholders of up to HK$28,607,000 as at 31 December 2019.

(c) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2020 (Unaudited) *HK$'000*	2019 (Unaudited) *HK$'000*
Salaries, allowances and benefit in kind	**2,422**	1,965
Pension scheme contributions	**25**	22
	2,447	1,987

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

At the end of 2019, China and the United States have reached the first phase of a trade agreement. The market has generally expected that, after 2020, the negative factors caused by the trade war between China and the United States towards China's manufacturing industry would gradually fade, and the economy would return to normal in 2020. However, the 2019 coronavirus (COVID-19) pandemic suddenly broke out at the end of 2019 and spread globally, bringing unexpected and unprecedented impact on all industries worldwide. In order to contain the pandemic, many countries have imposed various measures, including shutting down factory production and retail business as well as restricting the travel and transactions between people across different countries.

In this severe operating environment, the performance of the Group has inevitably been affected. During the reporting period, notwithstanding the decline in the Group's revenue of 33.3% to approximately HK$114.0 million, and decrease in gross profit of 32.6% to approximately HK$58.6 million, gross profit margin improved by 0.5 percentage point to 51.4% (first half of 2019: approximately HK$87.0 million and 50.9%, respectively). The reason for such growth can be attributed to the depreciation of the Renminbi against the Hong Kong dollars which led to lower cost of both raw materials consumed and direct labor in terms of Hong Kong dollars, reinforced by effective cost control measures and efficiency improvement. However, affected by a one-off listing expense of approximately HK$10.6 million, the Group recorded a loss attributable to the owners of the Company of approximately HK$11.8 million (first half of 2019: profit of approximately HK$10.1 million).

In the face of the unexpected pandemic, the Group responded quickly to reduce the adverse effects on its business. Although in the early stage of the pandemic, production lines and supply chains across China were generally affected by measures such as delays in work resumption, however, through efforts creating a solid basis to ensure the safety of its staff, the Group has resumed production at the China factories in mid-February 2020 in an orderly manner. The Vietnam and Bangladesh factories were affected to a relatively lesser extent and the operations there were largely normal. After that time, as the pandemic further spread across the world in March 2020, certain European and American brand partners postponed delivery of orders. Starting from the second quarter, the number of the Group's orders have dropped. In response to sudden changes in the market, the Group has maintained close communication with business partners to flexibly adjust production capacity according to customer needs. At the same time, the Group has adopted strict cost control measures, such as adjusting working hours according to order requirements and implementing a shift system for the work schedule of employees.

While enhancing its cost-control measures, the Group has also actively diversified its income streams. With years of mastery in the development and production technology of radio frequency identification (RFID) tag products, the Group's RFID product categories and quality have been continuously improving, which has strengthened customers' confidence in and has promoted these products so that they have enjoyed the largest order growth in the first half of the year.

Before the outbreak of the pandemic, the Group already established a comprehensive global footprint. In addition to setting up the strategic production bases in China, Bangladesh, and Vietnam (being the world's three largest garment export markets), it also have established offices in the United States, Belgium, Hong Kong, Mainland China, Bangladesh, Vietnam, India and Pakistan with businesses covering more than 40 markets around the world, which lays a solid foundation for business development and creating significant business advantages. In March 2020, the shares of the Company were successfully listed on the Main Board of the Stock Exchange (the "**Listing**"), marking a new level of development. The Listing not only enhances the corporate image of the Group, but also strengthens its capital position and helps overcome immediate challenges.

Business and Financial Review

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2020 amounted to approximately HK$114 million, representing a decrease of approximately 33.3% as compared with approximately HK$171 million in the corresponding period of 2019.

The above change in revenue was mainly due to the significant impact on the revenue growth in the second quarter arising out of the delay in the resumption of work and production of the Group and upstream and downstream enterprises as a result of the influence of the outbreak of COVID-19 at home and abroad.

Gross Profit

During the six months ended 30 June 2020, the Group's overall gross profit margin increased slightly to approximately 51.4%, as compared with approximately 50.9% of the corresponding period last year. The Group improved the overall gross profit margin through the constantly optimizing products sales portfolio, increasing the proportion of high profit margin products in sales and implementing effective control of internal costs.

Other Income and Gains

Other income and gains increased by approximately 3.0% from approximately HK$3.8 million in the first half of 2019 to approximately HK$3.9 million in the first half of 2020, mainly due to increase in interest income, government grant, gain on disposal of items of property, plant and equipment and a decrease in sales of scrap material during the reporting period.

Selling and Distribution Expenses

Selling and distribution expenses decreased by approximately 27.4% from approximately HK$23.9 million in the first half of 2019 to approximately HK$17.4 million in the first half of 2020, primarily due to the decrease in marketing consultancy fee, salaries relate to sales person and oversea travelling cost due to the COVID-19 and the ongoing tensions in the US-China relationship affect the demand by our customers.

Administrative Expenses

Administrative expenses increased by approximately 2.5% from approximately HK$40.7 million in the first half of 2019 to approximately HK$41.7 million in the same period of 2020, mainly due to the professional service charge after the Listing in March 2020.

Other Expenses

Other expenses significant increased from approximately HK$0.1 million in the first half of 2019 to approximately HK$2.1 million in the first half of 2020, mainly due to an increase in the impairment of trade receivable and the fair value losses of key management insurance occur during the reporting period.

Finance Costs

Finance costs increased by approximately 8.7% from approximately HK$1.2 million in the first half of 2019 to approximately HK$1.3 million in the first half of 2020, mainly due to an increase in the interest expenses arising from increase in the amount of borrowings.

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 2020 amounted to approximately HK$1.2 million, representing a decrease of approximately 68.9% from approximately HK$4.0 million in the first half of 2019. The above change was mainly due to the operating loss and reduction in the provision incurred during the reporting period.

Loss/Profit for the period

Reported net loss for the first half of 2020 was approximately HK$11.8 million compared with the net profit of approximately HK$11.3 million in the first half of 2019. The decline was due to the non-recurring listing expenses and the decrease in revenue due to the outbreak of the COVID-19 pandemic.

Capital Structure, Liquidity and Financial Resources

During the period under review, 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 2020, the Group had net current assets of approximately HK$117.7 million (31 December 2019: approximately HK$41.5 million) including inventories of approximately HK$50.5 million (31 December 2019: approximately HK$44.6 million), trade receivables of approximately HK$24.9 million (31 December 2019: approximately HK$48.3 million) and trade payables of approximately HK$24.0 million (31 December 2019: approximately HK$35.4 million).

As at 30 June 2020, cash and cash equivalents for the Group accounted for approximately HK$123.8 million (31 December 2019: approximately HK$43.8 million) and recorded bank borrowings accounted for approximately HK$23.0 million (31 December 2019: approximately HK$20.7 million).

The current ratio (current assets divided by current liabilities) increased to approximately 2.31 times as at 30 June 2020 from approximately 1.38 times as at 31 December 2019. The gearing ratio (bank borrowings divided by total assets) was approximately 6.7% as at 30 June 2020, while the gearing ratio as at 31 December 2019 was approximately 7.2%. 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 2020.

Charges on Group Assets

As at 30 June 2020, certain of the Group's plant and machinery with a net book value of approximately HK$5,518,000 (31 December 2019: approximately HK$5,950,000) were pledged to secure certain bank loans granted to the Group. Also, a life insurance policy with a carrying amount of approximately HK$5,298,000 (31 December 2019 : Nil) was pledged to secure certain bank loans granted to the Group.

Employees

As at 30 June 2020, the Group had a workforce of more than 900 employees as compared with 1,075 employees at 31 December 2019. Salaries of employees are maintained at a competitive level and are reviewed annually, with close reference to the relevant labour market and economic situation. The Group also provides internal training to staff and provides bonuses based upon staff performance and profit of the Group.

The Group has not experienced any significant problems with its employees or disruption to its operation due to labour disputes nor has it experienced any difficulty in the recruitment and retention of experienced staff. The Group maintains a good relationship with its employees.

Prospects

Looking ahead, it is expected that COVID-19 and the Sino-US trade war will continue to pose challenges to all industries. Although the Group's prospects remains uncertain, the management team deeply believes that opportunities and challenges exist side-by-side. In terms of market demand, the "Stay-at-home Economy" was stimulated during the pandemic and accelerated the change of retail models from brick-and-mortar shops to online stores. Thus, brands with online sales channels tend to be more resilient than those with only physical stores. In light of this, the Group will also catch opportunities to cooperate with brands with multiple sales channels. The Group expects that the application of RFID and Near Field Communication (NFC) technologies in apparel retail will become more popular. The application of RFID represents the monitoring of the entire supply chain from production, logistics and warehouses, to online sales. NFC tags are used for anti-counterfeiting and enhancing the interaction between the brand and consumers, thereby strengthening the Group's own brand image. The Group has built a solid foundation in the fields of product development and production technologies of RFID tags and NFC products over many years, and will deploy more equipment and resources to develop this potentially rich market, in response to the increasing market demand for these products.

In terms of industry supply, business difficulties, the rise of online retail and the gradual shortening of production cycles overall may trigger a new round of industry consolidation. This will benefit leading apparel labels and product manufacturers like the Group with a wide range of apparel labels and trim products, a mature geographical footprint and a strong capability in product development and technologies to enhance its market share. In the medium- to long-term, the Group is confident that it can stand out in the highly competitive business operating environment and seizing the opportunities brought by industry development and consolidation.

In terms of market expansion, after the containment of the pandemic in China and the gradual resumption of work and production, spending sentiment will be further released creating a battleground for major international and domestic apparel brands, which is expected to usher in more business opportunities. Therefore, the Group intends to invest more resources into expansion within the domestic market. As for the European and American markets, the Group has set up sales offices in countries like the United States and Belgium and will strive to solidify existing business relationships with international apparel brands, while seeking new customers at the same time, so as to capture the rebound in demand after the stabilization of the pandemic.

As for additional production support, the Group has set up production facilities in China, Bangladesh and Vietnam. Due to the pandemic, the production of the new Bangladesh factory will be slightly delayed to start at the end of 2021, and the Group believes it can satisfy the market demand for production capacity in Bangladesh after the pandemic. The Group has also received requests from customers asking for support in other Southeast-Asian production locations, and will explore establishing a business presence in such regions in the future.

The Group has fully prepared to explore new opportunities, and has implemented strict cost-control measures. The Group has been an enduring player in the apparel labels and trim products manufacturing industry for nearly 30 years. After going through multiple economic cycles and market changes, the Group has still been able to continuously grow and strengthen its business scale, taking a step up onto the capital stage in this year's "Pandemic" situation, all thanks to the management team with their abundant experience in the industry and strong ability to adapt to shifting trends. The management team is confident that it can lead the Group to ride the wind and waves, attain new business milestones, and create maximum value for the shareholders.

USE OF PROCEEDS FROM LISTING

The Board is aware that there has been a delay in the use of proceeds from the Listing when compared to the implementation plan set out in the prospectus of the Company (the "**Prospectus**") dated 28 February 2020.

Net proceeds from the initial public offering were approximately HK$69.9 million after deducting all the direct costs associated with the Listing. Up to the end of the reporting period, none of the net proceeds was utilised.

Net proceeds from the initial public offering will be used in the manner consistent with that mentioned in the Prospectus.

Unutilised proceeds were deposited in licensed bank in Hong Kong.

CORPORATE GOVERNANCE

Immediately following the date of Listing, the Company has complied with all the applicable code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

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 does not recommend any interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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 ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the reporting period under review, there was no acquisition or disposal of subsidiaries, associates and joint ventures by the Company.

SIGNIFICANT INVESTMENTS

During the Period, the Group did not have any significant investments in equity securities of companies listed on the Stock Exchange which were classified as financial assets at fair value through profit or loss.

EVENT AFTER REPORTING PERIOD

No significant events have occurred after the reporting period.

CONTINGENT LIABILITIES

As at 30 June 2020, the Group had no material contingent liabilities (31 December 2019: nil).

SHARE OPTION SCHEME

Share option scheme of the Company was adopted on 21 February 2020. There was no outstanding share option as at 1 January 2020 and 30 June 2020, respectively. 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 under review.

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 (the "**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 Dr. Wong Chi Wing. The Audit Committee is chaired by Dr. Wong Chi Wing 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 2020, 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 2020 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 2020 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, 27 August 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 being executive Directors; and Mr. Lam Chor Ki Dick, Mr. Lee Tak Cheong and Dr. Wong Chi Wing being independent non-executive Directors.