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 2020

The board (the "**Board**") of directors (the "**Directors**") of Cirtek Holdings Limited (the "**Company**") hereby announces the consolidated results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2020 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	Notes	For the year ended 31 December **2020** *HK$'000*	2019 *HK$'000*
REVENUE	*3*	**259,314**	352,937
Cost of sales		**(129,117)**	(178,168)
Gross profit		**130,197**	174,769
Other income and gains	*3*	**9,694**	5,701
Selling and distribution expenses		**(36,451)**	(44,053)
Administrative expenses		**(78,247)**	(83,808)
Other expenses		**(7,413)**	(928)
Finance costs	*5*	**(2,381)**	(2,735)
Listing expenses		**(10,607)**	(11,030)
PROFIT BEFORE TAX	*4*	**4,792**	37,916
Income tax expenses	*6*	**(3,145)**	(11,434)
PROFIT FOR THE YEAR		**1,647**	26,482
Attributable to:			
Owners of the Company		**1,647**	25,331
Non-controlling interests		**–**	1,151
		1,647	26,482
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		***HK cents***	*HK cents*
– Basic	*8*	**0.09**	1.69
		HK cents	*HK cents*
– Diluted	*8*	**0.09**	1.69

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	For the year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
PROFIT FOR THE YEAR	**1,647**	26,482
OTHER COMPREHENSIVE INCOME		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations, net	**4,938**	772
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**6,585**	27,254
Attributable to:		
Owners of the Company	**6,585**	26,178
Non-controlling interests	**–**	1,076
	6,585	27,254

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December 2020** *HK$'000*	As at 31 December 2019 *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**90,980**	76,559
Right-of-use assets		**43,117**	58,486
Prepayments and deposits		**6,560**	1,307
Goodwill		**1,523**	–
Other intangible assets		**270**	–
Financial asset at fair value through profit or loss		**5,404**	–
Deferred tax assets		**402**	–
Total non-current assets		**148,256**	136,352
CURRENT ASSETS			
Inventories		**52,943**	44,565
Trade receivables	*9*	**36,724**	48,327
Prepayments, deposits and other receivables		**8,143**	12,972
Due from the ultimate holding company		**–**	22
Due from a director		**–**	290
Cash and cash equivalents		**114,743**	43,807
Tax recoverable		**883**	65
Total current assets		**213,436**	150,048
CURRENT LIABILITIES			
Trade payables	*10*	**34,651**	35,381
Other payables and accruals		**30,665**	32,557
Interest-bearing bank borrowings		**20,530**	18,257
Due to directors		**–**	403
Lease liabilities		**12,107**	11,626
Tax payable		**3,766**	10,353
Total current liabilities		**101,719**	108,577
NET CURRENT ASSETS		**111,717**	41,471
TOTAL ASSETS LESS CURRENT LIABILITIES		**259,973**	177,823

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

	As at 31 December 2020	As at 31 December 2019
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Other payables	**750**	841
Interest-bearing bank borrowings	**633**	2,469
Lease liabilities	**21,340**	30,209
Deferred tax liabilities	**1,124**	334
Total non-current liabilities	**23,847**	33,853
Net assets	**236,126**	143,970
EQUITY		
Equity attributable to owners of the Company		
Share capital	**20,000**	–*
Reserves	**216,126**	143,970
Total equity	**236,126**	143,970

* 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 Windward 3, Regatta Office Park, P.O. Box 1350, 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.

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 "**Listing**").

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, is also the ultimate holding company of the Company.

1.2 BASIS OF PRESENTATION

For the listing of the Company's shares, 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 2019.

The consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for the years ended 31 December 2020 and 2019 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 statements of financial position of the Group as at 31 December 2020 and 2019 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 interests 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 Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance.

These financial statements have been prepared under the historical cost convention, except for a financial asset at fair value through profit or loss which has been measured at fair value. These financial statements are presented in Hong Kong dollars and all values are rounded to the nearest thousand (HK$'000) except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2020. 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.

1.4 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the *Conceptual Framework for Financial Reporting 2018* and the following revised HKFRSs for the first time for the current year's financial statements.

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 nature and the impact of the *Conceptual Framework for Financial Reporting 2018* and the revised HKFRSs are described below:

(a) *Conceptual Framework for Financial Reporting 2018* (the "**Conceptual Framework**") sets out a comprehensive set of concepts for financial reporting and standard setting, and provides guidance for preparers of financial statements in developing consistent accounting policies and assistance to all parties to understand and interpret the standards. The Conceptual Framework includes new chapters on measurement and reporting financial performance, new guidance on the derecognition of assets and liabilities, and updated definitions and recognition criteria for assets and liabilities. It also clarifies the roles of stewardship, prudence and measurement uncertainty in financial reporting. The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The Conceptual Framework did not have any significant impact on the financial position and performance of the Group.

(b) Amendments to HKFRS 3 clarify and provide additional guidance on the definition of a business. The amendments clarify that for an integrated set of activities and assets to be considered a business, it must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create outputs. The amendments remove the assessment of whether market participants are capable of acquiring the business and continue to produce outputs. Instead, the focus is on whether acquired inputs and acquired substantive processes together significantly contribute to the ability to create outputs. The amendments have also narrowed the definition of outputs to focus on goods or services provided to customers, investment income or other income from ordinary activities. Furthermore, the amendments provide guidance to assess whether an acquired process is substantive and introduce an optional fair value concentration test to permit a simplified assessment of whether an acquired set of activities and assets is not a business. The Group has applied the amendments prospectively to transactions or other events that occurred on or after 1 January 2020. The amendments did not have any impact on the financial position and performance of the Group.

(c) Amendments to HKFRS 9, HKAS 39 and HKFRS 7 address issues affecting financial reporting in the period before the replacement of an existing interest rate benchmark with an alternative risk-free rate ("**RFR**"). The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the introduction of the alternative RFR. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties. The amendments did not have any impact on the financial position and performance of the Group as the Group does not have any interest rate hedging relationships.

(d) Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the covid-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective for annual periods beginning on or after 1 June 2020 with earlier application permitted and shall be applied retrospectively. The amendment did not have any significant impact on the financial position and performance of the Group.

(e) Amendments to HKAS 1 and HKAS 8 provide a new definition of material. The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments clarify that materiality will depend on the nature or magnitude of information, or both. The amendments did not have any significant impact on the financial position and performance of the Group.

2. 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 year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**60,364**	97,895
Mainland China	**76,026**	88,362
Bangladesh	**28,660**	34,264
Vietnam	**13,109**	20,688
United States	**16,249**	17,429
Others	**64,906**	94,299
	259,314	352,937

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

(b) Non-current assets

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Hong Kong	**4,709**	8,437
Mainland China	**99,246**	93,355
Bangladesh	**13,452**	15,823
Other countries	**23,376**	17,868
	140,783	135,483

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

Information about a major customer

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

	For the year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Customer A	**31,150**	38,908

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	
	2020	2019
	HK$'000	*HK$'000*
Revenue from contract with customers		
(i) Disaggregated revenue with information		
Type of goods or services		
Sale of printing products	**259,314**	352,937
Geographical markets		
Hong Kong	**60,364**	97,895
Mainland China	**76,026**	88,362
Bangladesh	**28,660**	34,264
Vietnam	**13,109**	20,688
United States	**16,249**	17,429
Others	**64,906**	94,299
Timing of revenue recognition		
Goods transferred at a point in time	**259,314**	352,937

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	
	2020	2019
	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 give rise to variable consideration subject to constraint.

As the remaining performance obligations (unsatisfied or partially satisfied) as at 31 December 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 year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Other income and gains		
Freight and transportation income	**462**	536
Interest income	**1,419**	7
Sale of scrap materials	**1,410**	2,011
Government grants*	**4,332**	532
Foreign exchange gains, net	**–**	1,446
Gain on disposal of items of property, plant and equipment, net	**687**	–
Gain on derecognition of right-of-use assets, net	**63**	–
Others	**1,321**	1,169
	9,694	5,701

* As at 31 December 2020 and 2019, there were no unfulfilled conditions or other contingencies attaching to the government grants 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	
	2020	2019
	HK$'000	*HK$'000*
Cost of inventories sold#	**129,117**	178,168
Depreciation of property, plant and equipment	**14,902**	17,326
Depreciation of right-of-use assets	**10,510**	11,224
Short-term lease expenses	**821**	43
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**94,396**	104,710
Pension scheme contributions	**4,465**	11,828
	98,861	116,538
Government grants**	**(4,332)**	(532)
Auditor's remuneration	**2,152**	1,611
Listing expenses	**10,607**	11,030
Foreign exchange differences, net*	**4,683**	(1,446)
Impairment of trade receivables*	**1,397**	833
Gain on disposal of items of property, plant and equipment, net	**(687)**	(87)
Gain on derecognition of right-of-use assets, net	**(63)**	–
Loss on disposal of items of right-of-use assets*	**–**	58
Fair value loss on a financial asset at fair value through profit or loss*	**1,333**	–

* These items are included in "Other expenses" on the face of the consolidated statement of profit or loss for the year ended 31 December 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 machineries, which are transferred from deferred income to profit or loss over the useful lives of the relevant assets and the government grants from the Employment Support Scheme from Hong Kong government in respect of COVID-19 related subsidies during the current year. There are no unfulfilled conditions or contingencies relating to these grants.

Cost of inventories sold includes HK$52,485,000 (2019: HK$64,003,000) 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.

5. FINANCE COSTS

An analysis of finance costs is as follows:

	For the year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Interest on bank loans	**854**	601
Interest on lease liabilities	**1,527**	2,134
	2,381	2,735

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 year, 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% (2019: 8.25%) and the remaining assessable profits are taxed at 16.5% (2019: 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 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 was subject to a tax rate of 21% (2019: 21%) at the federal level during the year 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 year ended 31 December	
	2020	2019
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**463**	7,842
Current – Elsewhere		
Charge for the year	**2,294**	3,584
Deferred	**388**	8
Total tax charge for the year	**3,145**	11,434

7. DIVIDENDS

	2020	2019
	HK$'000	*HK$'000*
Proposed final dividend – HK0.075 cents (2019: Nil) per ordinary share	**1,500**	–
Special dividends	**–**	10,000
	1,500	10,000

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

During the year ended 31 December 2020, in February 2020, special dividends of HK$10,000,000 was 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 PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the Company of HK$1,647,000 (2019: HK$25,331,000) and the weighted average number of ordinary shares in issue of 1,903,005,464 (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 year ended 31 December 2020 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

9. TRADE RECEIVABLES

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**36,889**	48,675
Impairment	**(165)**	(348)
	36,724	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 30 to 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	
	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**19,298**	30,689
1 to 2 months	**12,362**	12,539
2 to 3 months	**3,150**	2,023
Over 3 months	**1,914**	3,076
	36,724	48,327

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

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
At beginning of year	**348**	40
Impairment losses	**1,397**	833
Amount written off as uncollectible	**(1,580)**	(525)
At end of year	**165**	348

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). 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.

10. TRADE PAYABLES

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

	As at 31 December	
	2020	2019
	HK$'000	*HK$'000*
Within 1 month	**10,676**	29,573
1 to 2 months	**7,331**	3,762
2 to 3 months	**6,899**	1,279
Over 3 months	**9,745**	767
	34,651	35,381

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

11. BUSINESS COMBINATION

In December 2020, the Group acquired the business of TrueCount Corporation ("**TrueCount**"). TrueCount is engaged in development and supply of software enabling the use of Radio Frequency Identification ("**RFID**"). The acquisition was made as part of the Group's strategy to expand its business development. The purchase consideration of US$245,000 (equivalent to HK$1,899,000) for the acquisition was in the form of cash.

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

	Fair value recognised on acquisition
	HK$'000
Property, plant and equipment	163
Other intangible assets	270
Deferred tax liabilities	(57)
Total identifiable net assets at fair value	376
Goodwill on acquisition	1,523
Satisfied by cash	1,899

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

The outbreak of the novel coronavirus pandemic (the "**COVID-19**") impacted the global market, with particular severity during the first half of 2020. As the pandemic spread rapidly, governments implemented strict anti-pandemic measures such as border controls, which resulted in disruptions to the supply chain and the rapid contraction of end-user demand. The European and U.S. economies and retail markets were also severely affected, with customers delaying product orders and deliveries, and economic activities almost coming to a halt. Stepping into the second half of 2020, the pandemic was first brought under control in China, making it the only major economy in the world to record positive economic growth in 2020. Meanwhile, the global economy gradually adapted to the new normal, and production and retail activities began to resume.

As the pandemic raged on, the global retail market, including the apparel market, was seriously affected. As a result, the demand for apparel labels and trim products decreased correspondingly. The Group's business was inevitably affected, resulting in a year-on-year decrease in revenue of 26.5% to approximately HK$259.3 million (2019: HK$352.9 million). However, the Group's orders started to rebound in the second half year. Therefore, sales in the second half year showed improvement when compared with the first half year, which narrowed the decline for the whole year. Gross profit for the year dropped by 25.5% to approximately HK$130.2 million (2019: HK$174.8 million). With effective cost control measures and flexible deployment of resources for efficiency improvement, in addition to the support of new products with higher gross profit, the Group's gross profit margin rose slightly by 0.7 percentage points to 50.2% (2019: 49.5%). Profit attributable to the owners of the Company was HK$1.6 million (2019: HK$25.3 million), representing a year-on-year decrease of 93.5%, which was mainly due to the reduction in revenue caused by the impact of the pandemic throughout the year.

In response to the challenges brought by the outbreak of the pandemic, the Group implemented a series of measures at the beginning of 2020, including strict preventive measures to ensure the safety of employees and arrangements for plants to resume operation as soon as possible. At the same time, it maintained close communication with business partners and adjusted production capacity based on customers' needs. In addition, stringent cost control measures were taken, such as adjusting working hours according to order requirements and implementing a shift system. As the industry gradually adapted to the new normal, orders for various types of products of the Group rebounded in the second half year, representing a improvement compared with the first half year.

In terms of production, before the outbreak of the pandemic, the Group gained insight into the increasing number of business opportunities arising from the growing demand for apparel labels and trim products in Bangladesh. It therefore made plans to expand local production capacity. The Group's determination has not been dampened by the pandemic. Instead, the management regards this as an opportunity to expand production capacity, which will help the Group secure a leading position for capturing opportunities following the post-pandemic demand recovery. Therefore, the Group began construction of the new production facility in Bangladesh hotable (the "**New Bangladesh Factory**") in October 2020. The New Bangladesh Factory has a gross floor area of approximately 10,600 square meters, which is expected to be put into production by the end of 2021. This will help the Group seize business opportunities arising from the growth in local demand for apparel labels and trim products, as well as meet market demand for production capacity in the post-pandemic period in Bangladesh. The Group will also be able to shorten production delivery times through the New Bangladesh Factory to improve production efficiency, increase production capacity and save costs, while providing additional space for the installation of new machines and for diversifying its product portfolio.

In terms of products, sales of Radio Frequency Identification (RFID) products was 15.7 million, which achieved a significant year-on-year increase of 130% in 2020, contributing HK$8.2 million in revenue. In order to meet the needs of customers with internet of things ("**IoT**") applications, the Group established Cirtek Link (Shenzhen) Limited ("**Cirtek Link SZ**") in mid-2020. With its own research and development team, Cirtek Link SZ will focus on the development of RFID core technology and RFID system platforms, products and project solutions, which can be widely used in various areas of IoT applications such as smart warehousing, smart production, anti-counterfeit tracking, file management, and smart washing.

Outlook and Future Prospects

Stepping into 2021, the launch of new coronavirus vaccines gives hope that the pandemic will be brought under control and economic recovery will commence across the globe, although such developments will be subject to the effectiveness and the general take up of the vaccines. Furthermore, the Sino-US relation will continue to introduce uncertainties to the business environment in the coming year. In addition to the macro-economic situation, the management will closely monitor the impacts of RMB appreciation, and the rise in raw material costs and freight charges on the business operation, and will adopt responsive measures to maintain the profitability of the Group.

The Group is well prepared for 2021. Over the past year, the retail market has adapted to the new normal amid the pandemic, and it is expected that the increase in the number of orders during the second half of 2020 will continue in 2021. Following with the industry's recovery, the Group plans to consolidate its business relationships with existing international apparel brands through its global offices, as well as expand its geographical coverage and customer base by setting up sales offices in the regions where its potential customers are located, particularly Europe. Additionally, in order to respond to its customers' demands, the Group is conducting research into the feasibility of establishing factories in other Asian regions, Eastern Europe and South America, and thereby gain orders from local apparel customers to accelerate its business development.

In addition to market expansion, the Group will continue to invest in research and development as well as the production of RFID products, and progressively promote the new RFID system platform, product and project solutions to its customers. The Group is proud that, at the beginning of 2021, its leading RFID technology and outstanding solutions have been recognised. The Group topped the "Most Popular RFID Enterprise Award" and was granted the "Excellent Solution Award" by the organise committee of the China International Internet of Things Technologies Expo, recognise the Group's research capabilities and innovation in RFID core technology. Eco-concept products are set to be the most sought-after items in the near future, as evidenced by the enthusiastic demand for the products over the past year. The Group will develop and produce more eco-friendly products to diversify its product portfolio, create demand for its products and protect the environment.

As a leading manufacturer of apparel labels and trim products, with a wide range of apparel labels and trim products on offer, a mature geographical footprint, and a strong capability in product development together with the commencement operations at the newly established factory in Bangladesh in 2021, the Group is able to satisfy the production demand in Bangladesh amid the pandemic. Under the leadership of its highly experienced management, the Group is confident that it will be well-prepared for a market recovery, and that it can return on right track to long-term growth, as well as create maximum value for its shareholders.

FINANCIAL REVIEW

Revenue

Revenue of the Group is mainly generated from the sale of apparel labels and trim products, such as hang tags, woven labels, printed labels and heat transfer products. Revenue of our Group decreased by approximately HK$93.6 million or 26.5% from approximately HK$352.9 million for the year ended 31 December 2019 to approximately HK$259.3 million for the year ended 31 December 2020. Such decrease was mainly due to the decrease in the demand of apparels label and trim products and the demand is highly reliant on the level of market activities undertaken by our customers, which is driven by market sentiment. The outbreak of the novel coronavirus pandemic has worsened the market sentiment in the world during 2020. As a result, the Group's customers have reduced their respective market activities and demand.

Cost of sales and gross profit

Cost of sales over the total revenue of the Group for the year ended 31 December 2020 was approximately 49.8% (31 December 2019: approximately 50.5%. The Group will continue to strengthen cost control and upgrade production technology to enhance its market competitiveness.

As a result, the gross profit margin for the year ended 31 December 2020 increased by approximately 0.7 percentage point to approximately 50.2% (31 December 2019: approximately 49.5%). The gross profit for the year ended 31 December 2020 was approximately HK$130.2 million (31 December 2019: approximately HK$174.8 million).

Other income and gains

Other income and gains mainly included interest income from time deposit, gain on disposal of items of property, plant and equipment, sales of scrap materials, government grants and others. For the year ended 31 December 2020, the other income and gains increased by approximately HK$4.0 million to HK$9.7 million (31 December 2019: approximately HK$5.7 million). Such increase was primarily attributable to the government grants received by the Group of approximately HK$3.7 million in relation to the Employment Support Scheme from the Hong Kong government in respect of COVID-19 related subsidies during the year ended 31 December 2020.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 17.3% from approximately HK$44.1 million for the year ended 31 December 2019 to approximately HK$36.5 million for the year ended 31 December 2020, due to the decrease in marketing consultancy fee, salaries relate to salesman and overseas travelling cost as a result of the COVID-19 pandemic situation.

Administrative expenses

Administrative expenses decreased by approximately HK$5.6 million, or 6.6% from approximately HK$83.8 million for the year ended 31 December 2019 to approximately HK$78.2 million for the year ended 31 December 2020, mainly due to the improvement on allocation and control of internal resources.

Other expenses

Other expenses significantly increased by approximately HK$6.5 million from approximately HK$0.9 million for the year ended 31 December 2019 to approximately HK$7.4 million for the year ended 31 December 2020, mainly due to the increase in the impairment of trade receivables, foreign exchange loss and the fair value loss on a financial asset at fair value through profit or loss for the year ended 31 December 2020.

Finance costs

Finance costs consist of interest on bank loans and interest on lease liabilities. Such costs decreased by approximately 12.9% from approximately HK$2.7 million for the year ended 31 December 2019 to approximately HK$2.4 million for the year ended 31 December 2020, mainly due to the lower interest rate in the market in 2020.

Listing expenses

The Listing expenses comprise professional and other expenses in relation to the Listing. Listing expenses was approximately HK$10.6 million for the year ended 31 December 2020 (2019: approximately HK$11.0 million).

Taxation

Taxation expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rate prevailing in the relevant jurisdictions. Taxation expenses significantly decreased by approximately HK$8.3 million, or 72.5% from approximately HK$11.4 million for the year ended 31 December 2019 to approximately HK$3.1 million for the year ended 31 December 2020. Such decrease was mainly due to the decrease in profit before tax for the year ended 31 December 2020.

Profit for the year

Reported profit the year decreased by approximately HK$24.9 million, or 93.8% from approximately HK$26.5 million for the year ended 31 December 2019 to approximately HK$1.6 million for the year ended 31 December 2020. The decline was mainly due to decrease in revenue and gross profit affected by the COVID-19 pandemic situation.

Liquidity and capital resources

The net assets of the Group amounted to approximately HK$236.1 million as at 31 December 2020 (31 December 2019: approximately HK$144.0 million). The Group maintained a sound financial position during the year ended 31 December 2020. As at 31 December 2020, the Group had cash and bank balances of approximately HK$114.7 million (31 December 2019: approximately HK$43.8 million). The cash and bank balances increased by approximately HK$70.9 million, or 161.9%.

For the cash and bank balances, approximately HK$85.9 million was denominated in Hong Kong Dollars, approximately HK$20.5 million was denominated in US Dollars, and approximately HK$4.9 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 2020, the Group had interest-bearing bank borrowings of approximately HK$21.2 million (31 December 2019: approximately HK$20.7 million) and aggregate banking facilities of approximately HK$67.9 million, of which approximately HK$23.9 million was utilised and approximately HK$44.0 million was unutilised. The Group is not committed to draw down the unutilised amount.

The Group's certain lease liabilities are guaranteed by corporate guarantees upon the Listing.

As at 31 December 2020, the Group had property, plant and equipment amounted to approximately HK$91.0 million (31 December 2019: approximately HK$76.6 million). The property, plant and equipment increased by approximately HK$14.4 million, or 18.8%, which was mainly attributable to the acquisition of plant and machinery of approximately HK$29.0 million during the year ended 31 December 2020. For further strengthen the Group's market position, increase its market share and capture the growth in the global market after the Listing, the Group has made additional investments in the machinery and equipment.

Beside the acquired property, plant and equipment, the Group recognises a goodwill of approximately HK$1.5 million and an intangible asset of approximately HK$0.3 million for further development through a business combination in December 2020.

Current ratio

As at 31 December 2020, the Group had net current assets of approximately HK$111.7 million, representing a significant increase of approximately HK$70.2 million as compared to that of approximately HK$41.5 million as at 31 December 2019. As a result, current ratio improved to 2.1 times as at 31 December 2020 (31 December 2019: 1.4 times).

Gearing ratio

The Group's gearing ratio (dividing bank borrowings plus lease liabilities by equity attributable to owners of the Company at year end date) decreased from approximately 43.5% as at 31 December 2019 to approximately 23.1% as at 31 December 2020. The decrease was mainly due to the increase in equity attributable to owners of the Company.

Treasury Policy

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the year.

The management of the Group regularly reviews the recoverable amounts and trade receivables by performing ongoing credit assessments and monitoring prompt recovery and, if necessary, making adequate impairment losses for irrecoverable amounts. In order to achieve better cost control and minimise the cost of funds, the Group's treasury activities are centralised and cash is generally deposited with leading licensed banks in Hong Kong and denominated in Hong Kong dollars.

EXPOSURE TO FOREIGN EXCHANGE RISK

The Group currently does not use derivative financial instruments to hedge against the volatility associated with foreign currency transactions and other financial assets and liabilities arising in the ordinary course of business.

Permanent changes in foreign exchange rates would have an impact on consolidated financial statements. The Board will closely monitor the changes of the rate of exchange and government policies from time to time.

CONTINGENT LIABILITIES

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

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, the Directors are not aware of any significant events that requiring disclosure that has taken place subsequent to 31 December 2020 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2020, we had a total of 990 employees in all regions (2019: 1,075).

The Company's employee benefit expense (excluding directors' remuneration), including salaries, bonuses and other employee's benefits, amounted to approximately HK$110.2 million for the year ended 31 December 2020 (31 December 2019: approximately HK$116.5 million). 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.

FINAL DIVIDEND AND DATE OF ANNUAL GENERAL MEETING

The Board recommended the payment of a final dividend in cash of HK0.075 cents per ordinary share for the financial year ended 31 December 2020 (2019: Nil). The final dividend is conditional upon the passing of the relevant resolution at the forthcoming annual general meeting (the "**2021 Annual General Meeting**") to be held on Friday, 18 June 2021.

Shareholders whose names appear on the register of members of the Company on Friday, 18 June 2021 will be eligible to attend and vote at the 2021 Annual General Meeting. It is expected that the proposed final dividend, if approved, will be paid on Friday, 9 July 2021 to shareholders whose name appeared on the register of members on Friday, 25 June 2021.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 15 June 2021 to Friday, 18 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2021 Annual General Meeting, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 11 June 2021.

The register of members of the Company will be closed from Thursday, 24 June 2021 to Friday, 25 June 2021 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Wednesday, 23 June 2021.

USE OF NET PROCEEDS FROM LISTING

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

The proceeds were only available to the Group upon the Listing on 12 March 2020 (the "**Listing Date**"), the use of the net proceeds from the Listing Date to 31 December 2020 was as follows:

Use of net proceeds	**Percentage of net proceeds**	**Net proceeds**	**Amount utilised**	**Amount remaining**	**Expected timeline for utilisation of the unused net proceeds**
		HK$'000	*HK$'000*	*HK$'000*	
Construction of the New Bangladesh Factory and Purchasing Machinery for the New Bangladesh Factory	98.4%	68,800	3,215	65,585	On or before 31 December 2022
General Working Capital	1.6%	1,100	1,100	0.0	N/A
Total	100%	69,900	4,315	65,585	

Up to 31 December 2020, the Group had used the net proceeds as originally intended.

As of the date of this announcement, the Board is aware that there has been a delay in the use of proceeds from the Listing when compared to the implementation plan as disclosed in the prospectus of the Company (the "**Prospectus**") dated 28 February 2020. The delay in use of proceeds is because of the outbreak of COVID-19, the construction of the new Bangladesh factory delayed to start in October 2020.

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 2020.

CORPORATE GOVERNANCE PRACTICES

The Company has committed to delivering and maintaining a higher standard of corporate governance to meet business needs and shareholders' expectation. The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as the basis of the Company's corporate governance practices. The Company had complied with all the applicable code provisions of the CG Code during the year ended 31 December 2020.

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 of the Company 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 has adopted a share option scheme on 21 February 2020 (the "**Share Option Scheme**"). On 15 September 2020, the Company granted a total of 2,000,000 shares options under the Share Option Scheme to one of our senior management carrying rights to subscribe for up to a total of 2,000,000 ordinary shares of the Company under the Share Option Scheme.

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 2020 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 2020 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 2020. 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 2020 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 2020, containing information required by the Listing Rules, will be despatched 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, 29 March 2021

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.