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CIRTEK HOLDINGS LIMITED

常達控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1433)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2021

The board (the “**Board**”) of directors (the “**Directors**”, each a “**Director**”) of Cirtek Holdings Limited (the “**Company**”) is pleased to present the unaudited interim condensed consolidated results of the Company and its subsidiaries (hereinafter collectively referred to as the “**Group**”) for the six months ended 30 June 2021, which have been reviewed by the audit committee (the “**Audit Committee**”) of the Company, together with comparative figures for the corresponding period in 2020 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
REVENUE	4	156,419	114,008
Cost of sales		(89,369)	(55,430)
Gross profit		67,050	58,578
Other income and gains	4	5,040	3,936
Selling and distribution expenses		(22,248)	(17,377)
Administrative expenses		(44,843)	(41,736)
Other expenses		–	(2,138)
Finance costs		(1,195)	(1,258)
Listing expenses		–	(10,607)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
(continued)

For the six months ended 30 June 2021

		Six months ended 30 June	
		2021	2020
		(Unaudited)	(Unaudited)
	<i>Notes</i>	HK\$'000	<i>HK\$'000</i>
PROFIT/(LOSS) BEFORE TAX	5	3,804	(10,602)
Income tax expenses	6	<u>(1,668)</u>	<u>(1,236)</u>
PROFIT/(LOSS) FOR THE PERIOD		<u>2,136</u>	<u>(11,838)</u>
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		<i>HK cents</i>	<i>HK cents</i>
– Basic and diluted	8	<u>0.11</u>	<u>(0.66)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2021

	Six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
PROFIT/(LOSS) FOR THE PERIOD	<u>2,136</u>	<u>(11,838)</u>
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences, net:		
Exchange differences on translation of foreign operations	<u>(1,960)</u>	<u>(925)</u>
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	<u>176</u>	<u>(12,763)</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2021

		30 June	31 December
		2021	2020
		(Unaudited)	(Audited)
	<i>Notes</i>	HK\$'000	HK\$'000
NON-CURRENT ASSETS			
Property, plant and equipment	9	89,681	90,980
Right-of-use assets		42,067	43,117
Prepayments and deposits		893	6,560
Goodwill		1,525	1,523
Other intangible assets		257	270
Financial asset at fair value through profit or loss		5,506	5,404
Deferred tax assets		402	402
		<hr/>	<hr/>
Total non-current assets		140,331	148,256
CURRENT ASSETS			
Inventories		59,199	52,943
Trade receivables	10	34,275	36,724
Prepayments, deposits and other receivables		23,883	8,143
Cash and cash equivalents		99,439	114,743
Tax recoverable		1,474	883
		<hr/>	<hr/>
Total current assets		218,270	213,436
CURRENT LIABILITIES			
Trade payables	11	35,784	34,651
Other payables and accruals		30,069	30,665
Interest-bearing bank borrowings		17,423	20,530
Lease liabilities		12,111	12,107
Tax payable		4,789	3,766
		<hr/>	<hr/>
Total current liabilities		100,176	101,719
NET CURRENT ASSETS			
		<hr/> 118,094 <hr/>	<hr/> 111,717 <hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES			
		<hr/> 258,425 <hr/>	<hr/> 259,973 <hr/>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
(continued)

As at 30 June 2021

		30 June	31 December
		2021	2020
		(Unaudited)	(Audited)
	<i>Note</i>	HK\$'000	HK\$'000
NON-CURRENT LIABILITIES			
Other payables		705	750
Interest-bearing bank borrowings		–	633
Lease liabilities		20,278	21,340
Deferred tax liabilities		1,127	1,124
		<hr/>	<hr/>
Total non-current liabilities		22,110	23,847
		<hr/>	<hr/>
Net assets		236,315	236,126
		<hr/>	<hr/>
EQUITY			
Equity attributable to owners of the Company			
Share capital	<i>12</i>	20,000	20,000
Reserves		216,315	216,126
		<hr/>	<hr/>
Total equity		236,315	236,126
		<hr/>	<hr/>

NOTES TO INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is 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**”), 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 2021 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 2020.

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 2020, 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 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

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

3. OPERATING SEGMENT INFORMATION

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

Geographical information

(a) *Revenue from external customers*

	For the six months ended 30 June	
	2021	2020
	(Unaudited) HK\$'000	(Unaudited) HK\$'000
Mainland China	55,410	30,879
Hong Kong	30,158	33,284
Bangladesh	17,093	11,579
Vietnam	12,553	7,497
United States	9,672	8,791
Others	31,533	21,978
	<u>156,419</u>	<u>114,008</u>

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

(b) *Non-current assets*

	30 June	31 December
	2021	2020
	(Unaudited) HK\$'000	(Audited) HK\$'000
Hong Kong	4,115	4,709
Mainland China	96,993	99,246
Bangladesh	11,817	13,452
Other countries	21,498	23,376
	<u>134,423</u>	<u>140,783</u>

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

Information about a major customer

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Customer A	<u>18,493</u>	<u>11,694</u>

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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Revenue from contracts with customers		
<i>(i) Disaggregated revenue with information</i>		
Types of goods or services		
Sale of printing products	<u>156,419</u>	<u>114,008</u>
Geographical markets		
Mainland China	55,410	30,879
Hong Kong	30,158	33,284
Bangladesh	17,093	11,579
Vietnam	12,553	7,497
United States	9,672	8,791
Others	<u>31,533</u>	<u>21,978</u>
	<u>156,419</u>	<u>114,008</u>
Timing of revenue recognition		
Goods transferred at a point in time	<u>156,419</u>	<u>114,008</u>

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

	For the six months ended 30 June	
	2021	2020
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Sale of printing products	<u>6,511</u>	<u>3,979</u>

(ii) *Performance obligations*

Sale of printing products

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

As the remaining performance obligations (unsatisfied or partially satisfied) as at 30 June 2021 and 2020 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	
	2021	2020
	(Unaudited) <i>HK\$'000</i>	(Unaudited) <i>HK\$'000</i>
Other income and gains		
Freight and transportation income	543	276
Interest income	140	920
Sale of scrap materials	1,033	678
Government grants*	163	846
Foreign exchange differences, net	1,769	–
Gain on disposal of items of property, plant and equipment, net	–	668
Gain on derecognition of right-of-use assets, net	5	14
Fair value gain on a financial asset at fair value through profit or loss	102	–
Others	<u>1,285</u>	<u>534</u>
	<u>5,040</u>	<u>3,936</u>

* As at 30 June 2021 and 2020, 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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Cost of sales [#]	89,369	55,430
Depreciation of property, plant and equipment	8,495	7,810
Depreciation of right-of-use assets	5,180	5,323
Short-term lease expenses	205	197
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	58,913	43,941
Pension scheme contributions	4,661	2,533
	63,574	46,474
Government grants ^{**}	(163)	(846)
Auditor's remuneration	1,061	1,222
Listing expenses	–	10,607
Foreign exchange differences, net [*]	(1,769)	451
Impairment of trade receivables ^{***}	–	240
Gain on disposal of items of property, plant and equipment, net	–	(668)
Gain on derecognition of right-of-use assets, net	(5)	(14)
Fair value loss/(gain) on a financial asset at fair value through profit or loss [*]	(102)	1,439

* These items are included in "Other income and gains" (2020: "Other expenses") on the face of the interim condensed consolidated statement of profit or loss.

** The government grants have been received from the local government. It represented allowance for the maternity staff and the acquisition of the Group's new machines, which were transferred from deferred income to profit or loss over the useful lives of the relevant assets during the current interim period. In the prior interim period, it also included the government grant from the Employment Support Scheme from Hong Kong Government in respect of COVID-19-related subsidy. There are no unfulfilled conditions or contingencies relating to these grants.

*** In the prior period, impairment of trade receivables was included in "Other expenses" on the face of the interim condensed consolidated statement of profit or loss.

Cost of inventories sold includes HK\$33,578,000 (2020: HK\$23,754,000) 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% (2020: 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 16.5%). PRC tax has been provided at the rate of 25% (2020: 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% (2020: 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	
	2021	2020
	(Unaudited)	(Unaudited)
	HK\$'000	HK\$'000
Current – Hong Kong		
Charge for the period	596	1,208
Current – Elsewhere		
Charge for the period	1,069	28
Deferred	3	–
	<hr/>	<hr/>
Total tax charge for the period	1,668	1,236
	<hr/>	<hr/>

7. DIVIDENDS

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

For 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 is based on the profit for the six months ended 30 June 2021 attributable to ordinary equity holders of the Company of HK\$2,136,000 (loss for the six months ended 30 June 2020 attributable to ordinary equity holders of the Company of HK\$11,838,000) and the weighted average number of ordinary shares in issue of 2,000,000,000 (2020: 1,804,945,055), 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 2021 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

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

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2021, the Group acquired property, plant and equipment at a cost of approximately HK\$6,325,000 (six months ended 30 June 2020: HK\$3,015,000).

As at 30 June 2021, certain of the Group's plant and machinery with a net book value of approximately HK\$5,364,000 (31 December 2020: approximately HK\$5,695,000) were pledged to secure certain of the bank loans of the Group.

10. TRADE RECEIVABLES

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Trade receivables	34,440	36,889
Impairment	(165)	(165)
	<u>34,275</u>	<u>36,724</u>

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

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	17,356	19,298
1 to 2 months	12,396	12,362
2 to 3 months	3,161	3,150
Over 3 months	1,362	1,914
	<u>34,275</u>	<u>36,724</u>

11. TRADE PAYABLES

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

	30 June 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Within 1 month	6,813	10,676
1 to 2 months	10,015	7,331
2 to 3 months	9,334	6,899
Over 3 months	9,622	9,745
	<u>35,784</u>	<u>34,651</u>

The trade payables are non-interest-bearing and are normally settled on 30 to 150-day terms (2020: 30 to 150-day terms).

12. SHARE CAPITAL

	Number of shares in issue	Share capital HK\$'000
Authorised:		
At 1 January 2020 with par value of HK\$0.01 each	3,800,000	38
Increase of authorised share capital with par value of HK\$0.01 each on 21 February 2020 (<i>note a</i>)	<u>4,996,200,000</u>	<u>49,962</u>
As at 31 December 2020 and 30 June 2021	<u>5,000,000,000</u>	<u>50,000</u>
	Number of shares in issue	Share capital HK\$'000
Issued and fully paid:		
As at 1 January 2020	250	—*
Capitalisation of shares (<i>note b</i>)	1,499,999,750	15,000
Shares issued pursuant to the share offer (<i>note c</i>)	<u>500,000,000</u>	<u>5,000</u>
As at 31 December 2020 and 30 June 2021	<u>2,000,000,000</u>	<u>20,000</u>

* Less than HK\$500

Notes:

- (a) 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.
- (b) 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.
- (c) 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 2021 (Unaudited) HK\$'000	31 December 2020 (Audited) HK\$'000
Contracted, but not provided for:		
Building	27,487	–
Plant and machinery	3,873	1,091
	<u>31,360</u>	<u>1,091</u>

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2021 (Unaudited) HK\$'000	2020 (Unaudited) HK\$'000
Salaries, allowances and benefit in kind	3,547	2,422
Pension scheme contributions	26	25
	<u>3,573</u>	<u>2,447</u>

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

In the first half of 2021, the ongoing coronavirus (“**COVID-19**”) pandemic has continuously dampened consumer sentiment in the global retail market. Even though the global economic activities are gradually resuming along with the gradually increasing vaccination rates over the globe, companies from all sectors are still concerned about the market and has carefully adjusting their business approaches accordingly. The pandemic has caused a drastic change in consumer habits and preferences. In view of this, apparel brands and manufacturers have begun to adopt digital transformation strategies, which resulted in a slight improvement in the sales performance of the apparel industry.

For the six months ended 30 June 2021 (the “**Reporting Period**”), the Group fully leveraged its own global business resources by proactively undertaking international orders, leading to a slight turnaround in its results for the second quarter of this year. During the Reporting Period, the Group’s revenue increased by approximately 37.2% to approximately HK\$156.4 million as compared with the corresponding period of the previous year (first half of 2020: approximately HK\$114.0 million). Gross profit also increased by approximately 14.5% to approximately HK\$67.1 million (first half of 2020: approximately HK\$58.6 million). Despite the significant increase in raw material prices, the appreciation of the Renminbi and the rise in labour costs, the gross profit margin remained at a respectable level of approximately 42.9% (first half of 2020: approximately 51.4%), largely thanks to effective cost control measures and new products with higher gross profit margin. During the Reporting Period, the Group experienced a turnaround in its financial performance, recording profit attributable to owners of the Company of approximately HK\$2.1 million (first half of 2020: loss attributable to owners of the Company of approximately HK\$11.8 million).

In terms of sales, with the gradual relaxation of preventive measures and travel restrictions, Hong Kong exports saw significant growth of approximately 30.8% for the first four months of 2021, as compared with the corresponding period of the previous year, and international trade also recorded a 10% growth in the first quarter of 2021¹. Despite the pandemic-related uncertainties, the Group considers the development potential of the apparel labels and trim products manufacturing market. Therefore, the Group invested further resources in expanding its global sales network in the first half of the year 2021, paving the way for the market recovery in the future. In particular, the Group has set up a sales office in Italy in March this year and has successfully exploited new local customers base within a short period of time. Our sales and marketing team will continue consolidating our relationships with existing customers and exploring new business opportunities, with the aim of securing more orders to maintain our business growth when the pandemic subsides.

¹ Source: A research article of the Hong Kong Trade Development Council

As for production, the Group made a head start by establishing a strategic layout and setting up production factories in the world's three largest apparel manufacturing countries, namely China, Vietnam and Bangladesh, to manufacture apparel labels and trim products for leading brands across the world. During the Reporting Period, these factories were operating as usual and continuously supplied products to our customers. As disclosed in the Group's annual report for the year ended 31 December 2020, the Group has commenced the construction of a new three-storey factory in Bangladesh with a gross floor area of approximately 10,600 square meters in October 2020. With satisfactory construction progress during the Reporting Period, the factory is expected to commence operation in early 2022 in order to capture business opportunities brought about by the growth in local demand after the pandemic.

With regard to products, there was an improvement in the overall sales performance of all products due to the gradual recovery of market demand around the world. During the Reporting Period, the Group seized the trend of the increasing popularity of Radio Frequency Identification (RFID) technology, and was committed to optimizing underlying products. Sales of RFID products continuously increased compared with the corresponding period of the previous year, making it the Group's fastest growing product line. In addition, consumers' awareness of "Environmental, Social and Corporate Governance" (ESG) has continued to escalate in recent years. A number of major brands have stepped up their investments in ESG, with the aim of achieving the goal of sustainable development. The Group has also developed and launched more environmentally friendly product series to seize such opportunities.

Business and Financial Review

Revenue

The Group's unaudited consolidated revenue for the six months ended 30 June 2021 amounted to approximately HK\$156.4 million, representing an increase of approximately 37.2% as compared with approximately HK\$114.0 million in the corresponding period of 2020.

The above change in revenue was mainly due to COVID-19 pandemic coming under control in many countries which in favour of demand by customers.

Gross Profit

During the six months ended 30 June 2021, the Group's overall gross profit margin remained at a respectable level to approximately 42.9%, as compared with approximately 51.4% of the corresponding period last year. The above change mainly represented the significant increase in raw material prices, the appreciation of the Renminbi and the rise in labour costs during the Reporting Period.

Other Income and Gains

Other income and gains increased by approximately 28.0% from approximately HK\$3.9 million in the first half of 2020 to approximately HK\$5.0 million in the first half of 2021, mainly due to increase in freight and transportation income, foreign currencies exchange gain and sale of scrap material during the Reporting Period.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 28.0% from approximately HK\$17.4 million in the first half of 2020 to approximately HK\$22.2 million in the first half of 2021, primarily due to the increase in marketing consultancy fee and salaries relate to sales person which the demand of customers has been improved as the COVID-19 pandemic been brought under control in many countries.

Administrative Expenses

Administrative expenses increased by approximately 7.4% from approximately HK\$41.7 million in the first half of 2020 to approximately HK\$44.8 million in the same period of 2021, mainly due to the increase in labour cost and the operating cost of expanding for new subsidiaries during the Reporting Period.

Other Expenses

Other expenses represented the foreign currencies exchange loss and fair value loss on a financial asset at fair value through profit or loss in 2020. There were recorded realised exchange gain on foreign currencies due to the foreign currencies appreciation which reflect in other income and gains in the current Reporting Period.

Finance Costs

Finance costs decreased by approximately 5.0% from approximately HK\$1.3 million in the first half of 2020 to approximately HK\$1.2 million in the first half of 2021, as no new bank borrowings occur since 31 December 2020.

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 2021 amounted to approximately HK\$1.7 million, representing an increase of approximately 35.0% from approximately HK\$1.2 million in the first half of 2020. The above change was mainly due to the operating profits occur in subsidiaries which led to an increase in the provision incurred during the Reporting Period.

Profit/(Loss) for the period

Reported net profit for the first half of 2021 was approximately HK\$2.1 million compared with the net loss of approximately HK\$11.8 million in the first half of 2020. The financial performance improved as COVID-19 pandemic coming under control which in favour of demand by customers and the one-off listing expenses not incurred in the Reporting Period.

Capital Structure, Liquidity and Financial Resources

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

As at 30 June 2021, the Group had net current assets of approximately HK\$118.1 million (31 December 2020: approximately HK\$111.7 million) including inventories of approximately HK\$59.2 million (31 December 2020: approximately HK\$52.9 million), trade receivables of approximately HK\$34.3 million (31 December 2020: approximately HK\$36.7 million) and trade payables of approximately HK\$35.8 million (31 December 2020: approximately HK\$34.7 million).

As at 30 June 2021, cash and cash equivalents for the Group accounted for approximately HK\$99.4 million (31 December 2020: approximately HK\$114.7 million) which mainly approximately HK\$74.9 million (31 December 2020: approximately HK\$85.9 million) was denominated in Hong Kong Dollars, approximately HK\$18.8 million (31 December 2020: approximately HK\$20.5 million) was denominated in US Dollars, and approximately HK\$3.2 million (31 December 2020: 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 30 June 2021, the Group had interest-bearing bank borrowings of approximately HK\$17.4 million (31 December 2020: approximately HK\$21.2 million) and aggregate banking facilities of approximately HK\$67.9 million (31 December 2020: approximately HK\$67.9 million), of which approximately HK\$19.2 million (31 December 2020: approximately HK\$23.9 million) was utilised and approximately HK\$48.7 million (31 December 2020: 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 unlimited corporate guarantees given by the Company.

The current ratio (current assets divided by current liabilities) remain a constant level as approximately 2.18 times as at 30 June 2021 from approximately 2.10 times as at 31 December 2020. The gearing ratio (bank borrowings divided by total assets) was approximately 4.9% as at 30 June 2021, while the gearing ratio as at 31 December 2020 was approximately 5.9%. 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 2021.

Charges on Group Assets

As at 30 June 2021, certain of the Group's plant and machinery with a net book value of approximately HK\$5.4 million (31 December 2020: approximately HK\$5.7 million) were pledged to secure certain bank loans granted to the Group. Also, a life insurance policy with a carrying amount of approximately HK\$5.5 million (31 December 2020: approximately HK\$5.4 million) was pledged to secure certain bank loans granted to the Group.

Employees

As at 30 June 2021, the Group had a workforce of more than 1,000 employees as compared with 990 employees at 31 December 2020. 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.

FUTURE PROSPECTS

Stepping into the second half of year 2021, the pace of recovery of the global economy remains uncertain given the volatile development of the pandemic across the globe. The Group will continue to evaluate the situation in all related regions, pay close attention to the condition of the industrial and supply chains, and adopt precautionary measures in a timely manner to minimise potential risks to our business development.

The Group believes that challenges always come with opportunities. As a leading manufacturer of apparel labels and trim products, we must bring our own advantages into full play, particularly in times of adversity, and take the initiative to prepare for future market recovery in a timely manner. As the pandemic has not yet been fully controlled, many brands are seeking, or switching to cooperate with large and capable manufacturers, and require manufacturers to maintain production efficiency, high product quality and ensure timely delivery of products. The Group has diversified apparel labels and trim products, an extensive sales network and an excellent geographical footprint in terms of production bases. Leveraging these advantages, new orders for the first half of 2021 have increased as compared with the corresponding period of the previous year, which fully demonstrates the Group's strength.

The outbreak of the pandemic has accelerated the shift in favor of business model of the retail industry. Retail businesses are proactively adapting consumers to 'new normal', driving the entire retail market to gradually recover. The Group will further expand its global business presence by setting up sales offices and production bases in regions with development potential. In addition to the establishment of the new sales office in Italy in March this year, the Group also plans to expand its presence to regions such as Eastern Europe and Central and South America, while conducting research on the feasibility of expanding into other potential markets. The Group aims to accelerate its expansion and develop new customer bases, so as to secure more orders from local apparel suppliers and support its business growth. In addition, the new factory in Bangladesh is expected to commence its operation in early 2022. By that time, the Group will enjoy greater flexibility in the deployment of resources according to its production activities in order to meet the needs of its customers.

Following the Group's increased investment in the research and development of RFID technology, it expanded its business to the area of RFID product solutions during the Reporting Period. Although the business is still at its initial stage of development, the Group sees it as a great potential and will proactively promote its RFID product solutions and products to attract more new customers. Since the Group has established a wide customer base covering over 40 markets, it can seize opportunities to cross sell products and promote RFID businesses to small to medium-sized customers.

Looking forward, the Group will continue to closely monitor the development of the pandemic and adjust its strategies in a timely manner to enhance its own competitiveness. The Group will also adopt defensive measures in respect of the appreciation of the Renminbi and rising raw materials costs and wages, such as developing automated production lines, to maintain the Group's profitability. Under the leadership of an experienced management team and with sufficient cash flow, the Group is well positioned to navigate through the adversity, with hopes of seizing preemptive opportunities when the market recovers and creating maximum value for its shareholders.

USE OF 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 use of the net proceeds from the Listing Date to 30 June 2021 was as follows:

Use of net proceeds	Percentage of net proceeds	Net proceeds <i>HK\$'000</i>	Amount utilised <i>HK\$'000</i>	Amount remaining <i>HK\$'000</i>	Expected timeline for utilisation of the unused net proceeds
Construction of the new Bangladesh factory and purchasing machinery for the new Bangladesh factory	98.4%	68,800	3,747	65,053	On or before 31 December 2022
General working capital	1.6%	1,100	1,100	0.0	N/A
Total	100%	69,900	4,847	65,053	

Up to 30 June 2021, 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, which is because of the outbreak of COVID-19.

CORPORATE GOVERNANCE

Following the retirement of Dr. Wong Chi Wing as an independent non-executive Director with effect from 18 June 2021, the number of independent non-executive Directors and the number of members of the Audit Committee fell below the minimum number required under Rule 3.10(1) and Rule 3.21 of the Rules Governing the Listing of securities on the Stock Exchange (the “**Listing Rules**”) respectively. In addition, each of the remuneration committee and nomination committee does not comprise a majority of independent non-executive Directors as required under Rule 3.25 of the Listing Rules and the code provision A.5.1 of the Corporate Governance Code (the “**CG Code**”) contained in Appendix 14 of the Listing Rules respectively. Following the appointment of Ms. Luk Mei Yan as an independent non-executive Director and her joining the respective committees with effect from 25 June 2021, the Company has fulfilled the requirements under Rules 3.10(1), 3.21, 3.25 of the Listing Rules and code provision A.5.1 of the CG Code contained in Appendix 14 of the Listing Rules respectively.

Immediately following the date of Listing, and save as disclosed above, the Company has complied with all the applicable code provisions set out in the CG Code contained in Appendix 14 of 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 of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2021.

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 after the listing of the Company on the Stock Exchange are not entitled to such special dividends.

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, there was no acquisition or disposal of subsidiaries, associates and joint ventures by the Company.

SIGNIFICANT INVESTMENTS

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

EVENT AFTER REPORTING PERIOD

No significant events have occurred after the Reporting Period.

CONTINGENT LIABILITIES

As at 30 June 2021, the Group had no material contingent liabilities (31 December 2020: Nil).

SHARE OPTION SCHEME

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

AUDIT COMMITTEE AND REVIEW OF UNAUDITED INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

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

The Audit Committee has discussed with the management of the Group and reviewed the unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2021, 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 2021 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 2021 containing all information required by the Listing Rules will be dispatched to the shareholders of the Company and published on the aforementioned websites in due course.

FORWARD LOOKING STATEMENTS

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

APPRECIATION

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

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

Hong Kong, 30 August 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 being executive Directors; and Mr. Lam Chor Ki Dick, Mr. Lee Tak Cheong and Ms. Luk Mei Yan being independent non-executive Directors.