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 2023

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 2023 (the "**Reporting Period**") as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the Year ended 31 December 2023

	Notes	**2023** ***HK$'000***	2022 *HK$'000*
REVENUE	*4*	**372,310**	408,572
Cost of sales		**(209,757)**	(235,116)
Gross profit		**162,553**	173,456
Other income and gains	*4*	**6,061**	9,516
Selling and distribution expenses		**(59,524)**	(53,435)
Administrative expenses		**(121,050)**	(113,424)
Other operating income, net		**4,067**	6,400
Impairment of non-financial assets		**(8,065)**	(1,534)
Finance costs	*6*	**(3,164)**	(2,203)
Share of losses of an associate		**(528)**	–
PROFIT/(LOSS) BEFORE TAX	*5*	**(19,650)**	18,776
Income tax expense	*7*	**(6,026)**	(6,218)
PROFIT/(LOSS) FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		**(25,676)**	12,558
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		***HK cents***	*HK cents*
– Basic	*9*	**(1.28)**	0.63
– Diluted		***HK cents***	*HK cents*
	9	**(1.28)**	0.63

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Year ended 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE YEAR	**(25,676)**	12,558
OTHER COMPREHENSIVE LOSS		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences:		
Exchange differences on translation of foreign operations, net	**(14,560)**	(17,971)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(40,236)**	(5,413)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	**2023**	2022
		HK$'000	*HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**141,157**	130,707
Right-of-use assets		**31,038**	36,184
Prepayments and deposits		**2,671**	9,556
Goodwill		**–**	361
Other intangible assets		**675**	6,055
Financial asset at fair value through profit or loss		**5,940**	5,803
Investment in an associate		**5,681**	–
Deferred tax assets		**506**	504
Total non-current assets		**187,668**	189,170
CURRENT ASSETS			
Inventories		**70,163**	68,758
Trade receivables	*10*	**44,912**	42,923
Prepayments, deposits and other receivables		**17,877**	16,982
Pledged deposits		**14,575**	14,138
Cash and cash equivalents		**34,158**	62,325
Tax recoverable		**72**	771
Total current assets		**181,757**	205,897
CURRENT LIABILITIES			
Trade payables	*11*	**57,323**	53,572
Other payables and accruals		**51,167**	40,808
Interest-bearing bank borrowings		**21,784**	17,865
Lease liabilities		**10,401**	14,979
Tax payable		**12,484**	8,297
Total current liabilities		**153,159**	135,521
NET CURRENT ASSETS		**28,598**	70,376
TOTAL ASSETS LESS CURRENT LIABILITIES		**216,266**	259,546

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)

As at 31 December 2023

	2023	2022
	HK$'000	*HK$'000*
NON-CURRENT LIABILITIES		
Other payables	**3,417**	442
Interest-bearing bank borrowings	**1,331**	3,017
Lease liabilities	**14,664**	15,209
Deferred tax liabilities	**1,822**	1,618
Total non-current liabilities	**21,234**	20,286
Net assets	**195,032**	239,260
EQUITY		
Equity attributable to owners of the Company		
Share capital	**20,000**	20,000
Reserves	**175,032**	219,260
Total equity	**195,032**	239,260

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE AND GROUP INFORMATION

The Company is a limited liability company incorporated in the Cayman Islands. The registered office address of the Company is Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands. The principal place of business of the Company is located at 1/F, Wing Ming Industrial Centre, 15 Cheung Yue Street, Lai Chi Kok, Kowloon, Hong Kong.

The Company is an investment holding company. During the year, the Group was principally engaged in the manufacturing and sale of printing products.

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**").

Charming International Limited ("**Charming International**"), a company incorporated in the British Virgin Islands (the "**BVI**") on 2 January 2019, is the immediate holding company of the Company, and in the opinion of the Directors, is also the ultimate holding company of the Company.

2. ACCOUNTING POLICIES

2.1 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**") 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 Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023. 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).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has 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 the related assets (including goodwill), liabilities, any non-controlling interest and the exchange fluctuation reserve; and recognises the fair value of any investment retained and 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.

2.2 Changes in accounting policies and disclosures

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform – Pillar Two Model Rules*

The nature and the impact of the new and revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions.

Prior to the initial application of these amendments, the Group applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. The Group has applied the amendments on temporary differences related to leases as at 1 January 2022. Upon initial application of these amendments, the Group recognised (i) a deferred tax asset for all deductible temporary differences associated with lease liabilities (provided that sufficient taxable profit is available), and (ii) a deferred tax liability for all taxable temporary differences associated with right-of-use assets at 1 January 2022.

Upon the application of the amendments, the Group has determined the temporary differences arising from right-of-use assets and lease liabilities separately. However, they did not have any material impact on the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualified for offsetting under HKAS 12.

(d) Amendments to HKAS 12 *International Tax Reform – Pillar Two Model Rules* introduce a mandatory temporary exception from the recognition and disclosure of deferred taxes arising from the implementation of the Pillar Two model rules published by the Organisation for Economic Co-operation and Development. The amendments also introduce disclosure requirements for the affected entities to help users of the financial statements better understand the entities' exposure to Pillar Two income taxes, including the disclosure of current tax related to Pillar Two income taxes separately in the periods when Pillar Two legislation is effective and the disclosure of known or reasonably estimable information of their exposure to Pillar Two income taxes in periods in which the legislation is enacted or substantively enacted but not yet in effect. The Group has applied the amendments retrospectively. Since the Group did not fall within the scope of the Pillar Two model rules, the amendments did not have any impact to the Group.

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

	2023	2022
	HK$'000	*HK$'000*
Chinese Mainland	**128,401**	137,517
Hong Kong	**54,721**	78,373
Bangladesh	**50,696**	60,481
Turkey	**19,599**	7,575
India	**17,992**	15,161
United States of America	**10,712**	16,655
Vietnam	**30,010**	43,526
Others countries/regions	**60,179**	49,284
Total revenue	**372,310**	408,572

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

(b) Non-current assets

	2023	2022
	HK$'000	*HK$'000*
Chinese Mainland	**72,813**	80,168
Bangladesh	**52,248**	45,594
Vietnam	**8,349**	9,958
Hong Kong	**20,707**	29,633
Other countries/regions	**24,697**	14,850
Total non-current assets	**178,814**	180,203

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:

	2023	2022
	HK$'000	*HK$'000*
Customer A	**N/A***	43,501

* Less than 10% of the Group's revenue

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

4. REVENUE, OTHER INCOME AND GAINS

Revenue represents the net invoiced value of goods sold, after allowances for returns, trade discounts and rebates.

An analysis of the Group's revenue, other income and gains is as follows:

	2023 *HK$'000*	2022 *HK$'000*
Revenue from contracts with customers		
(i) Disaggregated revenue with information		
Types of goods or services		
Sale of printing products	**372,310**	408,572
Geographical markets		
Chinese Mainland	**128,401**	137,517
Hong Kong	**54,721**	78,373
Bangladesh	**50,696**	60,481
Turkey	**19,599**	7,575
India	**17,992**	15,161
United States of America	**10,712**	16,655
Vietnam	**30,010**	43,526
Others countries/regions	**60,179**	49,284
Total revenue from contracts with customers	**372,310**	408,572
Timing of revenue recognition		
Goods transferred at a point in time	**372,310**	408,572

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

	2023 *HK$'000*	2022 *HK$'000*
Sale of printing products	**9,564**	10,975

(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 31 December 2023 and 2022 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.

Other income and gains include the following:

	2023	2022
	HK$'000	*HK$'000*
Other income and gains		
Freight and transportation income	**1,212**	2,365
Interest income	**652**	471
Sale of scrap materials	**1,567**	2,133
Government grants*	**592**	2,622
COVID-19-related rent concessions from lessors	**–**	179
Fair value gain on financial assets at fair value through profit or loss, net	**137**	198
Others	**1,901**	1,548
Total	**6,061**	9,516

* The government grants have been received from the local government. It mainly represented compensation of the unemployment insurance paid to the local government and the acquisition of the Group's new machines, whose compensation are transferred from deferred income to profit or loss over the useful lives of the relevant assets, and the government grant from the Employment Support Scheme from the Hong Kong government in respect of COVID-19 related subsidies for the year ended 31 December 2023 and 2022. As at 31 December 2023 and 2022, 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):

	2023	2022
	HK$'000	*HK$'000*
Cost of sales#	**209,757**	235,116
Depreciation of property, plant and equipment	**17,693**	15,433
Depreciation of right-of-use assets	**12,832**	11,919
Amortisation of other intangible assets	**752**	345
Short-term lease expenses	**969**	1,161
Employee benefit expense (excluding directors' remuneration)		
Wages and salaries	**138,986**	138,856
Pension scheme contributions (defined contribution scheme)**	**14,669**	17,843
Total	**153,655**	156,699
Auditor's remuneration	**2,160**	2,200
Foreign exchange gain, net*	**(4,109)**	(7,228)
Impairment/(reversal of impairment), net*	**(176)**	674
Impairment of goodwill***	**361**	1,534
Impairment of investment in an associate***	**3,089**	–
Impairment of other intangible assets***	**4,615**	–
Loss on disposal of items of property, plant and equipment, net*	**217**	154

* These items are included in "Other operating income, net" on the face of the consolidated statement of profit or loss for the year ended 31 December 2023 and 2022.

** These are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

*** These items are included in "Impairment of non-financial assets" on the face of the consolidated statement of profit or loss for the year ended 31 December 2023 and 2022.

Cost of inventories sold includes HK$65,322,000 (2022: HK$72,439,000) 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. Included in cost of sales was also reversal of provision for inventories of HK$1,135,000 (2022: HK$433,000) for the year ended 31 December 2023.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2023	2022
	HK$'000	*HK$'000*
Interest on bank loans and overdrafts	**1,346**	469
Interest on lease liabilities	**1,818**	1,734
Total	**3,164**	2,203

7. 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% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong during the year, except for one subsidiary of the Group which is a qualifying entity under the two-tiered profit tax rates regime. The first HK$2,000,000 (2022: HK$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%). PRC tax has been provided at the rate of 25% (2022: 25%) on the estimated assessable profits arising in the PRC during the year. Pursuant to the rules and regulations of the United States of America, a company which is treated as a corporation for the United States federal income tax purposes was subject to a tax rate of 21% (2022: 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 jurisdictions which the Group operates.

	2023	2022
	HK$'000	*HK$'000*
Current – Hong Kong		
Charge for the year	**1,214**	239
Overprovision in prior years	**(31)**	(219)
Current – Elsewhere		
Charge for the year	**4,568**	5,976
Deferred	**275**	222
Total tax charge for the year	**6,026**	6,218

8. DIVIDENDS

	2023	2022
	HK$'000	*HK$'000*
Proposed final dividend – Nil (2022: HK0.20 cents) per ordinary share	**–**	4,000

For the year ended 31 December 2023, the Board does not recommend the payment of the final dividend.

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

The calculation of the basic earnings/(loss) per share amounts is based on the loss for the year attributable to owners of the Company of HK$25,676,000 (2022: profit for the year attributable to owners of the Company of HK$12,558,000) and the weighted average number of ordinary shares of 2,000,000,000 (2022: 2,000,000,000) in issue during the year.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the year ended 31 December 2023 and 2022 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings/(loss) per share amounts presented.

10. TRADE RECEIVABLES

	2023	2022
	HK$'000	*HK$'000*
Trade receivables	**45,566**	43,777
Impairment	**(654)**	(854)
Net carrying amount	**44,912**	42,923

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:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**24,438**	22,278
1 to 2 months	**12,751**	13,485
2 to 3 months	**3,911**	2,809
Over 3 months	**3,812**	4,351
Total	**44,912**	42,923

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

	2023	2022
	HK$'000	*HK$'000*
At beginning of year	**854**	203
Impairment/(reversal of impairment), net	**(176)**	674
Amount written off as uncollectible	**(24)**	(23)
At end of year	**654**	854

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 geographical region). 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.

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:

	2023	2022
	HK$'000	*HK$'000*
Within 1 month	**16,593**	16,391
1 to 2 months	**12,272**	15,658
2 to 3 months	**10,389**	8,096
Over 3 months	**18,069**	13,427
Total	**57,323**	53,572

The trade payables are non-interest-bearing and are normally settled on 30 to 150-day terms (2022: 30 to 150-day terms).

12. BUSINESS COMBINATION

On 6 May 2022, the Group acquired a 100% interest in Print100 Limited from an independent third party. Print100 Limited is engaged in business of printing. The acquisition was made to expand and diversify the Group's business scope. The purchase consideration for the acquisition was in the form of cash, with HK$5,000,000 paid during the year.

The fair values of the identifiable assets and liabilities of Print100 Limited as at the date of acquisition were as follows:

	Fair value recognised on acquisition *HK$'000*
Property, plant and equipment	844
Right-of-use assets	285
Other intangible assets	5,476
Financial asset at fair value through profit or loss	91
Trade receivables	230
Prepayments, deposits and other receivables	5,500
Cash and cash equivalents	75
Trade payables	(1,179)
Other payables and accruals	(1,238)
Bank overdrafts	(965)
Lease liabilities	(1,060)
Interest-bearing bank borrowings	(3,101)
Deferred tax liabilities	(319)
Total identifiable net assets at fair value	4,639
Goodwill on acquisition	361
Satisfied by Cash	5,000

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

	HK$'000
Cash consideration	(5,000)
Cash and cash equivalents acquired	75
Bank overdrafts acquired	(965)
	(5,890)

Included in the goodwill of HK$361,000 recognised above is an assembled workforce which is not recognised separately. It is not separable and does not meet the criteria for recognition as an intangible asset under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, Print100 Limited contributed HK$8,510,000 to the Group's revenue and a loss of HK$2,330,000 to the consolidated profit for the year ended 31 December 2022.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the period would have been HK$411,147,000 and HK$10,958,000, respectively.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

The global economy exhibited different trends in the first and second half of 2023. In the first half of the year, global consumption contracted, the apparel industry performed unsatisfactorily, and customers became more cautious in placing orders due to the global economic slowdown, rising interest rates and high inflation. In particular, imports of textiles and apparel from the United States dropped significantly by 22.7% in the first half of the year. However, the global market gradually stabilized in the second half of the year, with the fourth quarter showing signs of improvement, and retailers around the world began to see the strength of the recovery. According to the website of the China National Garment Association, China's apparel exports improved significantly in November and December 2023, driven by factors such as increased consumer demand during festive seasons such as the New Year and the effect of destocking in the United States. During the year, the Group strived to maintain its steady success. Leveraging its extensive sales network and global strategic arrangement with sufficient production capacity, the Group was not only able to withstand the risk of fluctuations in individual market performance, but was also able to respond quickly to market demand and capitalize on the opportunities arising from market recovery.

During the Reporting Period, the pace of recovery in the global economy was slower than expected, which affected the Group's financial performance. Fortunately, the economy exhibited signs of recovery in the second half of the year and the Group swiftly seized the business opportunities, which narrowed the year-on-year decline in revenue. During the Reporting Period, the Group's revenue decreased by approximately 8.9% to approximately HK$372.3 million (2022: approximately HK$408.6 million). Although inflation led to an increase in labour costs during the year, the Group leveraged its global configuration advantages, deployed resources flexibly, tightly controlled costs and optimized its capacity structure, enabling it to maintain its gross profit margin at 43.7% for the period. However, due to the challenging macro environment, the Group recorded a net loss of approximately HK$18.8 million in the first half of the year. Together with the provision of approximately HK$8.1 million for non-financial assets due to accounting policies, the Group recorded a loss attributable to owners of the Company of approximately HK$25.7 million (2022: profit of approximately HK$12.6 million) for the whole year.

In terms of sales, the global apparel retail industry experienced a lag in growth between 2022 and the first half of 2023, as high inflation and interest rates made global consumption more conservative, and apparel brands continued to destock, resulting in lower than expected orders overall, with a particularly pronounced slowdown in the United States. In the second half of 2023, apparel sales resumed an upward trajectory in most regions as overall sentiment improved. During the year, the Group focused on optimizing its global sales network. Despite the unsatisfactory business environment in individual regions, the Group proactively intensified its efforts to enhance the performance of its sales offices in Spain and Italy, and it succeeded in attracting new customers. With the team's proactive efforts in developing new markets and consolidating the existing customer base, the Group's sales showed a solid rebound in the second half of the year.

In terms of production, the Group continued its globalization strategy by setting up production bases in the world's five largest garment exporting countries, namely China, Vietnam, Bangladesh, India and Turkey, to capture the demand for apparel labeling and decorative products in each of these markets. During the Reporting Period, the production factories in Mexico and Guatemala were successfully commissioned, while the production factory in Turkey was in production in collaboration with other factories. Meanwhile, the relocation of the Bangladesh production factory was completed in the second half of the year, with production activities returning to normal and capacity being significantly improved. The Group anticipates receiving new orders from each of the newly established production factories in the second half of 2023, enabling it to capitalize on the economic recovery.

In terms of products, the adoption of Radio Frequency Identification (RFID) technology is becoming a major trend in the global logistics and retail industries. With the rising market demand, the sales volume of our RFID products grew significantly during the Reporting Period, and its share of the Group’s total business also increased. As an important development direction, the Group allocated more resources to the research and development of RFID products during the Reporting Period, aiming to meet the diverse needs of the market. Having been in the apparel labeling and decorative products industry for many years, the Group has a large customer base and is able to promote its RFID products to existing customers through cross-selling. This will not only help boost revenue, but also strengthen the relationship with customers. At the same time, the Group is developing RFID solutions to provide retailers with software for sales and inventory management. The Group will continue to research, develop and adapt to create the most suitable and efficient RFID application solutions for our customers.

In recent years, there has been a significant increase in the interest in and demand for eco-friendly products from major apparel brands. In addition, Europe and other countries have increasingly stringent control measures for plastic products. In order to meet the trend of sustainable development and enhance our competitive edge, the Group is proactively collaborating with customers to develop a wide range of eco-friendly products and solutions. The Group is committed to developing and manufacturing a wide range of labels made from biodegradable and recyclable materials to fully satisfy customer demand for eco-friendly products.

In February 2023, the Group completed the acquisition of certain equity interests in Primway S.A.R.L. ("**Primway**"), a French company with years of experience in the packaging business. Primway headquartered in France for over a decade, has established robust sales networks locally and in neighboring European countries. This acquisition allows the Group to tap into new customers bases and secure orders in Europe, capitalizing on the significant synergistic effects of this cooperation. Meanwhile, during the Reporting Period, Yinyibai* (印100), a fast printing company under the Group, made continuous efforts to enhance its business structure, particularly by strengthening the sales capacity of its online retail channels, to meet the diverse market demands. Yinyibai* (印100) proactively expanding its business-to-business (B2B) channels and establishing cooperative relationships with enterprises to provide momentum for the Group's growth.

PROSPECTS

Looking ahead to 2024, the retail environment is gradually improving as the global economy shows the first signs of recovery. According to market research company Ipsos, the global consumer confidence index in February 2024 was 49.1 points, representing a year-on-year increase of 0.4 points. With consumer confidence on the rise, global demand for apparel is expected to grow steadily, providing the Group with development opportunities. Although risk factors such as international political volatility and rising trade protectionism still exist and continue to pose certain challenges to the market, the Group will be able to flexibly respond to various changes while seizing opportunities and mitigating potential risks by leveraging the strengths of its global presence built over the years. The Group maintains a cautiously optimistic outlook.

* *for identification purposes only*

After years of effort, the Group's global sales network and factory arrangement are nearly complete, with sales and production capacity in various locations ready for a new round of development opportunities. With the commissioning of a new production factory in Bangladesh, one of the three largest garment exporting countries, and the smooth operation of plants in Mexico and Guatemala targeting the Central and South American markets, the Group is poised to embark on new opportunities. RFID products are widely used in the global logistics and new retail industries, and with increasing market demand, the Group will continue to emphasize the research and development of RFID products, promotion, and the creation of more cross-selling opportunities with our existing customers.

Sustainability has become a key trend in the future fashion industry. The Group will increase the use and development of various eco-friendly materials and other sustainable products to strengthen our competitive edge in the market. In addition, in order to further promote the sustainable development of the industry, the Group's China factory will be equipped with a solar power generation system by 2024, which will provide the Group with more impetus for sustainable development.

Looking ahead, amidst the slow recovery of the global economy, the Group will capitalize on its leading position in global distribution to fully seize the opportunities arising from the rebound of the apparel market, and to expand its customer base in different regions. At the same time, the Group will continue to take stock of the situation and adjust its resource allocation and marketing strategies in light of the market environment, and continue to optimize its products to proactively meet operational challenges and create long-term value for the Group's 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$36.3 million or 8.9% from approximately HK$408.6 million for the year ended 31 December 2022 ("FY2022") to approximately HK$372.3 million for the year ended 31 December 2023 ("FY2023"). Such decrease was primarily due to the uncertainties over the global economy together with the competitive market which resulted in a decrease in the sales volume of the Group.

Cost of sales and gross profit

The cost of sales of the Group decreased by approximately HK$25.4 million, representing a decrease of 10.8% from approximately HK$235.1 million for FY2022 to approximately HK$209.8 million for FY2023, which was driven by the decrease in sales volume and decrease in the subcontracting service consumed by the Group.

The Group's gross profit decreased by approximately HK$10.9 million, or approximately 6.3%, from approximately HK$173.5 million for FY2022 to approximately HK$162.6 million for FY2023. The Group's gross profit margin maintained from approximately 42.5% for FY2022 to 43.7% for FY2023.

Other income and gains

The Group's other income and gains, decreased by approximately HK$3.4 million from approximately HK$9.5 million for FY2022 to approximately HK$6.1 million for FY2023. The decrease was driven by the one-off government subsidies received during FY2022 in relation to wages subsidies under the Employment Support Scheme of the Anti-epidemic Fund operated by the Hong Kong government and the freight and transportation income affect by the decrease of revenue.

Selling and distribution expenses

The Group's selling and distribution expenses increased by approximately HK$6.1 million, or approximately 11.4%, from approximately HK$53.4 million for FY2022 to approximately HK$59.5 million for FY2023, primarily due to increase in the headcount related to salesman and marketing consultants during FY2023.

Administrative expenses

The Group's administrative expenses increased by approximately HK$7.6 million, or approximately 6.7%, from approximately HK$113.4 million for FY2022 to HK$121.0 million for FY2023, primarily due to increase in the headcount and the depreciation provided during FY2023.

Other operating income, net

The Group's other operating income recorded a decrease of approximately HK$2.3 million from approximately HK$6.4 million for FY2022 to approximately HK$4.1 million for FY2023 which due to the decrease on foreign exchange gain during FY2023.

Impairment of non-financial assets

The Group's impairment of non-financial assets represented approximately HK$8.1 million in FY2023, representing an increase of approximately HK$6.6 million compared to approximately HK$1.5 million in FY2022, which mainly on the provision of impairment that provided for investment in an associate, goodwill and other intangible assets in FY2023.

Finance costs

The Group's finance costs represented interest on bank loan and overdrafts and interest on lease liabilities of approximately HK$3.2 million and HK$2.2 million in FY2023 and FY2022 respectively.

Taxation

The Group's taxation expenses slightly decreased by approximately HK$0.2 million, or approximately 3.1%, from approximately HK$6.2 million for FY2022 to approximately HK$6.0 million for FY2023, primarily due to the decrease in the provision of taxation for the subsidiaries within the Group during FY2023.

Profit/(loss) for the year

The operating loss of the Group was approximately HK$25.7 million compared with the operating profit was approximately HK$12.6 million for FY2022.

CAPITAL STRUCTURE, LIQUIDITY AND FINANCIAL RESOURCES

The Group had net assets amounted to approximately HK$195.0 million as at 31 December 2023 (31 December 2022: approximately HK$239.3 million). The Group maintained a sound financial position during FY2023. As at 31 December 2023, the Group had cash and bank balances of approximately HK$34.1 million (31 December 2022: approximately HK$62.3 million).

For the cash and bank balances, approximately HK$5.8 million was denominated in Hong Kong Dollars, approximately HK$15.2 million was denominated in US Dollars, approximately HK$1.2 million was denominated in EUR Dollars, and approximately HK$2.7 million was denominated in Renminbi. The Group's cash in Hong Kong Dollars, US Dollars, EUR Dollars and Renminbi was held to support its core operational needs.

As at 31 December 2023, the Group had interest-bearing bank borrowings of approximately HK$23.1 million (31 December 2022: approximately HK$20.9 million) and aggregate banking facilities of approximately HK$130.0 million, of which approximately HK$23.1 million was utilised and approximately HK$106.9 million was unutilised. The Group is not committed to draw down the unutilised amount.

As at 31 December 2023, the Group had property, plant and equipment amounted to approximately HK$141.2 million (31 December 2022: approximately HK$130.7 million). The property, plant and equipment increased by approximately HK$10.5 million, or 8.0%, which was mainly attributable to the acquisition of plant and machinery of approximately HK$37.5 million during FY2023. For further strengthen the Group's market position, increase its market share and capture the growth in the global market, the Group has made additional investments in the machinery and equipment.

Current ratio

As at 31 December 2023, the Group had net current assets of approximately HK$28.6 million, representing a decrease of approximately HK$41.8 million as compared to that of approximately HK$70.4 million as at 31 December 2022. As a result, current ratio (dividing total current assets by total current liabilities at year end date) deteriorated to 1.2 times as at 31 December 2023 (31 December 2022: 1.5 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) increased from approximately 21.3% as at 31 December 2022 to approximately 24.7% as at 31 December 2023. The increase was mainly due to the increase on interest-bearing bank borrowings during the Reporting Period.

Treasury policy

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

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's transactions and the monetary assets are principally denominated in Hong Kong dollars, Renminbi, Euro dollars and United States dollars. The Group currently does not 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. 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 Reporting Period. 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 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

EVENTS AFTER THE REPORTING PERIOD

There was no material subsequent event undertaken by the Group after 31 December 2023 and up to the date of this announcement.

EMPLOYEES AND REMUNERATION POLICIES

As at 31 December 2023, we had a total of 1,219 employees in all regions (2022: 1,164 employees).

The Company's employee benefit expense (excluding directors' remuneration), including salaries, bonuses and other employee's benefits, amounted to approximately HK$153.7 million for FY2023 (FY2022: approximately HK$156.7 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.

DIVIDEND

The Board does not recommend the payment of a final dividend by the Company for FY2023 (FY2022: HK0.20 cents per ordinary share).

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Save as disclosed in 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 for FY2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

On 24 February 2023 (after trading hours), the Lowatag Limited, an indirect wholly-owned subsidiary of the Company, as the purchaser (the "**Purchaser**") has entered into an investment agreement with Mr. Mickael Berdah, Mr. Dominique Toyer and Mr. Frédéric Wengrow, as the vendors (collectively, the "**Vendors**"), pursuant to which (i) the Purchaser agreed to subscribe for the subscription shares of Primway S.A.R.L, a limited liability company incorporated in France; and (ii) the Vendors agreed to sell and the Purchaser agreed to acquire the sale shares of Primway S.A.R.L, for a total consideration of EUR1,095,000. For details of the acquisition of shares in Primway S.A.R.L, please refer to the Company's announcement dated 24 February 2023.

Save for the above, the Group did not have any material acquisitions and disposals of subsidiaries, associates and joint ventures during the Reporting Period.

USE OF PROCEEDS FROM LISTING

The Company was listed on the Stock Exchange on 12 March 2020 (the "**Listing Date**"). The net proceeds from the initial public offering of the shares, net of underwriting commission in respect of the offering and other relevant expenses, amounted to approximately HK$69.9 million.

As of 31 December 2023, our Company has not yet fully utilised the net proceeds from the global offering was approximately HK$26.9 million.

Change in use of proceeds

The net proceeds which remained unutilised as of 31 December 2023 amounts to approximately HK$26.9 million (the "**Unutilised Net Proceeds**"), all of which are intended to be used for construction of the new Bangladesh factory and purchasing machinery for the new Bangladesh factory and general working capital.

Reference is made to the announcement of the Company dated 31 October 2023 the Board have resolved to change the use of the unutilised net proceeds. Details of the change in use of proceeds are disclosed in the Company's announcement dated 31 October 2023.

Set out below is the actual use of net proceeds from the initial public offering during the Reporting Period.

Use of net proceeds	Percentage of net proceeds	Net proceeds	Amount utilised in the six months ended 30 June 2023	Amount remaining and brought forward from the six months ended 30 June 2023	Amount utilised in the year ended 31 December 2023	Amount unutilised as at 31 December 2023	Expected timeline for utilisation of the unused net proceeds
		HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	
Construction of the New Bangladesh Factory and Purchasing Machinery for the New Bangladesh Factory	98.4%	68,800	3,504	31,908	9,992	26,900	–
General Working Capital	1.6%	1,100	N/A	N/A	N/A	N/A	N/A
Total	100%	69,900	3,504	31,908	9,992	26,900	

Reasons for the change in use of proceeds

As disclosed in the announcement of the Company dated 18 October 2023 in relation to the completion of construction of the New Bangladesh Factory, the Group has completed construction of the New Bangladesh Factory. The actual costs of the construction have been less than the anticipated costs as construction costs in general have reduced. Moreover, the Board considers that further purchase of machinery for the New Bangladesh Factory may not be able to make a breakthrough in the Group's business and generate better financial results and return for the Group, due to the recent downturn of the economy, inflation and interest rate hikes affected purchasing power, and inventories had been steadily increasing under the low demand for goods, resulting in a significant decrease in purchase orders. As such, the Board considers that a more cautious approach in relation to the execution of the Group's expansion plan should be adopted.

In light of the above, the Board considers that the reallocation of the remaining unutilised net proceeds from the construction of the New Bangladesh Factory and purchasing machinery for the New Bangladesh Factory to the use as general working capital would allow the Group to utilise its financial resources in a more flexible, beneficial and effective way. The Board is also of the view that the reallocation will allow the Group to meet its operational needs and provide more buffer to cope with the economic uncertainties in the future.

The Board confirms that there are no material changes in the nature of the business of the Group and considered that the proposed change is in the interests of the Company and its shareholders as a whole and will not have any material adverse effect on the existing business and operations of the Group.

Save as the changes disclosed above, there are no other proposed changes in the use of the Net Proceeds. The Unutilised Net Proceeds will be applied in a manner consistent with the above planned applications.

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 FY2023.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Company is committed to maintaining a high standard of corporate governance practices and procedures. The corporate governance principle of the Company emphasises accountability and transparency and is adopted in the best interests of the Company and the shareholders (the "**Shareholders**"). In addition, the Company will strive to continuously improve these practices and cultivate an ethical corporate culture.

CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high standards of corporate governance to protect the interests of its Shareholders and to enhance corporate value and accountability. The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has complied with all Code Provisions of the Corporate Governance Code ("**CG Code**") as set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") during the Reporting Period. The Company has applied the principles of the CG Code to its corporate governance structure and practices as described in this announcement. The Company will continue to enhance its corporate governance practices appropriate to the conduct and growth of its business and to review such practices from time to time to ensure that they comply with the CG Code and align with the latest developments.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF THE COMPANY

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("**Model Code**") as set out in Appendix C3 to the Listing Rules as the Company's code of conduct regarding Directors' and employees' securities transactions. The chairman of the Audit Committee is the person to be notified for securities dealings by Directors and a designated form is used for notification and acknowledgment purpose. All Directors have confirmed, following specific enquiry by the Company, all Directors have confirmed that they have complied with the requirements of the Model Code during the Reporting Period and up 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. The exercise price of the share option granted was HK$0.057 and 50% of the 2,000,000 share options granted shall be exercisable from 31 December 2021 to 14 September 2025, and the remaining 50% shall be exercisable from 31 December 2023 to 14 September 2025. The 2,000,000 share options granted are valid for 5 years from the date of grant (up to 14 September 2025). The said share options granted will be lapsed automatically if not exercised within the validity period. The closing price of the Shares before the date of grant of the share options under the Share Option Scheme was HK$0.059. As at the date of this announcement, 200,000,000 Shares are available for issue under the Share Option Scheme, representing approximately 10.0% of the total number of Shares in issue (i.e., 2,000,000,000 Shares as at the date of this announcement). Pursuant to the Share Option Scheme and Rule 17.03(5) of the Listing Rules, the share option granted under the Share Option Scheme must be taken up within 10 years from the date of grant of the option. No share options were granted, exercised, cancelled or lapsed during FY2023.

AUDIT COMMITTEE

The audit committee of the Company comprises three independent non-executive Directors, namely Ms. Luk Mei Yan (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 FY2023 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 FY2023 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 draft consolidated financial statements for FY2023. The work performed by Ernst & Young in this respect did not constitute an assurance engagement and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**2024 AGM**") will be held on Friday, 21 June 2024. Shareholders whose names appear on the register of members of the Company on Friday, 21 June 2024 will be eligible to attend and vote at the 2024 AGM. A notice of the 2024 AGM will be published and despatched in the manner as required by the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024 (both days inclusive), during which period no transfer of shares will be registered. In order to qualify for attending and voting at the 2024 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 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not later than 4:30 p.m. on Monday, 17 June 2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's annual results announcement for FY2023 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 FY2023, containing information required by the Listing Rules, will be despatched to shareholders of the Company who wish to receive a printed copy of the corporate communication and will also be 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, 27 March 2024

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

* *for identification purposes only*