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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)

MAJOR TRANSACTION IN RELATION TO THE CONSTRUCTION AGREEMENT

THE CONSTRUCTION AGREEMENT

The Board is pleased to announce that on 9 October 2020 (after trading hours), Charming Bangladesh, an indirect wholly-owned subsidiary of the Company, entered into the Construction Agreement with the Contractor in relation to the construction of the New Bangladesh Factory on the Land at an aggregate Consideration of approximately BDT338.3 million (equivalent to approximately HK\$31.0 million).

LISTING RULES IMPLICATIONS

In respect of the Construction Agreement, as one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules exceed 25% but are all less than 100%, the transaction contemplated under the Construction Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the transactions under the Construction Agreement. Since no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Construction Agreement, a written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

As at the date of this announcement, Charming International, being the controlling shareholder of the Company holding 1,404,000,000 Shares, representing approximately 70.2% of the total issued share capital of the Company, has given a written shareholder's approval to the Construction Agreement.

A circular containing, among other things, further details of the Construction Agreement, will be despatched to the Shareholders on or before 30 October 2020.

INTRODUCTION

On 9 October 2020 (after trading hours), Charming Bangladesh entered into the Construction Agreement with the Contractor in relation to the construction of the New Bangladesh Factory on the Land at an aggregate Consideration of approximately BDT338.3 million (equivalent to approximately HK\$31.0 million).

PRINCIPAL TERMS OF THE CONSTRUCTION AGREEMENT

Date: 9 October 2020

Parties: 1. Charming Bangladesh as the client; and
2. Contractor

Subject matter: Pursuant to the Construction Agreement, the Contractor shall be responsible for the Works in relation to the construction of the New Bangladesh Factory, including but not limited to:

- (a) sub-structure works, including piling works and foundation works;
- (b) ground floor, first floor and second floor construction works; and
- (c) ancillary construction works including stair and machine room, water tank and boundary wall, and plantation construction works.

Consideration and
payment terms:

The total Consideration shall be approximately BDT338.3 million (equivalent to approximately HK\$31.0 million), tax inclusive and comprising the following:

- (a) approximately BDT85.2 million (approximately HK\$7.8 million) for sub-structure works including erection, and maintenance of site office Works, piling Works and foundation Works;
- (b) approximately BDT88.9 million (approximately HK\$8.1 million) for ground floor construction Works;
- (c) approximately BDT56.8 million (approximately HK\$5.2 million) for first floor construction Works;
- (d) approximately BDT59.5 million (approximately HK\$5.5 million) for second floor construction Works; and
- (e) approximately BDT47.9 million (approximately HK\$4.4 million) for ancillary construction Works including stair and machine room, water tank and boundary wall, and plantation construction works.

Charming Bangladesh shall pay the bills prepared by the Contractor after completion of each of the 12 (twelve) stages of Work pursuant to the Construction Agreement. The bill shall become payable only upon the certification by the Company that the relevant stage of the Work has been satisfactorily completed.

The payment amount of each bill for each stage of Work will be deducted by (i) the value of material supplied by Charming Bangladesh (if any) consumed in the Works during each stage of Work; (ii) retention money equivalent to 5% of the gross bill for each stage of Work; (iii) Advance Payment made to the Contractor equivalent to 10% of the gross bill for each stage of Work; and (iv) any applicable tax.

After receiving each bill from the Contractor, Charming Bangladesh shall pay 80% of the amount within 14 (fourteen) days from the date of receiving each bill and the rest of the payment will be settled within 20 (twenty) days from the date of receiving each bill. The payments shall be made by cheque to the Contractor.

Retention money deducted by the Company based on gross billing of each stage of Work and in aggregate shall not exceed 5% of the Consideration. The retention money shall be refunded to the Contractor until one month upon the expiry of the Defect Liability Period or termination of Construction Agreement, whichever is earlier.

Completion:

The Contractor shall complete the Work within 365 calendar days from the Commencement Date.

After completing the Work as per specifications and terms and conditions of the Construction Agreement, Charming Bangladesh and the Contractor shall jointly inspect the Work, by which Charming Bangladesh will issue a completion certificate within 15 (fifteen) days of such inspection upon its satisfaction.

Defects and rectification:

The Contractor shall maintain the Work and rectify all defects or replace all defective works with specified materials, fixtures and equipment of the Works which are identified during the Defect Liability Period and are attributable to certain specified causes.

BASIS OF CONSIDERATION

The Consideration payable by the Group under the Construction Agreement was arrived at after arm's length negotiation with the Contractor and the quotation submitted by the Contractor was considered the most appropriate with reference to their relevant experience on construction of factory premises.

Accordingly, the Directors consider that the Consideration is fair and reasonable. The Consideration will be satisfied by the proceeds from the initial public offering of the Company.

INFORMATION ON THE GROUP AND THE CONTRACTOR

The Group

The principal activities of the Group are manufacture and sale of apparel labels and trim products, such as hang tags, woven labels, printed labels and heat transfer products.

Contractor

The Contractor is mainly engaged in factory building and apartment development business in Bangladesh.

REASONS FOR AND BENEFITS OF ENTERING INTO THE CONSTRUCTION AGREEMENT

As set out in the sections headed “Future Plans and Use of Proceeds” and “Business — Production — Production and capacity expansion plan” of the Prospectus, the Group intends to implement a production and capacity expansion plan in Bangladesh. The expansion will help the Group capture business opportunities arose from the growth in the demand for apparel labels and trim products in Bangladesh. The Group will be able to improve production efficiency through shortening of production lead time, in addition to increasing our production capacity and providing the Group with additional cost-saving advantages as well as additional space for the installation of new machines to expand the product range of products to be manufactured in Bangladesh.

The Directors consider that the terms of the Construction Agreement are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

In respect of the Construction Agreement, as one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules exceed 25% but are all less than 100%, the transaction contemplated under the Construction Agreement constitutes a major transaction of the Company and is therefore subject to the reporting, announcement and shareholders’ approval requirements under Chapter 14 of the Listing Rules.

To the best of the Directors' knowledge, information and belief, after having made all reasonable enquiries, none of the Shareholders has any material interest in the transactions under the Construction Agreement. Since no Shareholder is required to abstain from voting if a general meeting were to be convened for the approval of the Construction Agreement, a written Shareholders' approval may be accepted in lieu of holding a general meeting pursuant to Rule 14.44 of the Listing Rules.

As at the date of this announcement, Charming International, being the controlling shareholder of the Company holding 1,404,000,000 Shares, representing approximately 70.2% of the total issued share capital of the Company, has given a written Shareholder's approval to the Construction Agreement.

A circular containing, among other things, further details of the Construction Agreement, will be despatched to the Shareholders on or before 30 October 2020.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Advance Payment”	a sum equivalent to 10% of the Consideration to be paid by Charming Bangladesh within 7 (seven) days of signing the Construction Agreement
“BDT”	Bangladeshi Taka, the lawful currency of Bangladesh
“Board”	the board of Directors
“Charming Bangladesh”	Charming Trim & Packaging (BD) Ltd., a company incorporated in Bangladesh with limited liability and an indirect wholly-owned subsidiary of the Company
“Charming International”	Charming International Limited, a company incorporated in the British Virgin Islands with limited liability and the controlling shareholder of the Company
“Commencement Date”	after the 7 (seven) days of the date of Advance Payment by Charming Bangladesh

“Company”	Cirtek Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the shares of which are listed on the Stock Exchange (stock code: 1433)
“connected person(s)”	has the meanings as ascribed to it under the Listing Rules
“Consideration”	the total consideration payable by Charming Bangladesh to Contractor under the Construction Agreement at approximately BDT338.3 million (equivalent to approximately HK\$31.0 million)
“Construction Agreement”	the agreement dated 9 October 2020 entered into between Charming Bangladesh, and the Contractor in respect of the Works of the New Bangladesh Factory on the Land
“Contractor”	N S Construction, a private company incorporated in Bangladesh and an Independent Third Party
“Defect Liability Period”	1 (one) calendar year commencing from the date of issuance of completion certificate by the Company
“Director(s)”	director(s) of the Company
“EPZ”	the export processing zone in Bangladesh
“Group”	the Company and its subsidiaries
“HK\$” or “HKD”	Hong Kong dollars and cents, respectively, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	party(ies) independent of and not connected with the Company and any of its connected persons (as defined under the Listing Rules)
“Land”	the parcel of land located at plots nos. 216 & 216A, Adamjee EPZ, Shiddhirgonj, Narayangonj, Bangladesh

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New Bangladesh Factory”	proposed new production facility in the Adamjee EPZ in Bangladesh
“Prospectus”	the Company’s listing document published on the Stock Exchange on 28 February 2020
“Shareholder(s)”	holder(s) of Shares
“Shares”	ordinary share(s) in the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Work” or “Works”	all the works, services, performances that the Construction Agreement requires the Contractor to perform, provide and deliver including but not limited to construction of the factory building including access road, drain, boundary wall etc. for the Charming Bangladesh, insurance and other similar and incidental obligations of the Contractor under the Construction Agreement

By Order of the Board
CIRTEK HOLDINGS LIMITED
CHAN Sing Ming Barry
Chairman and Executive Director

Hong Kong, 9 October 2020

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