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 2023

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 2023, which have been reviewed by the audit committee (the "**Audit Committee**") of the Company, together with comparative figures for the corresponding period in 2022 as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
For the six months ended 30 June 2023

		Six months ended 30 June	
		2023	2022
		(Unaudited)	(Unaudited)
	Notes	***HK$'000***	*HK$'000*
REVENUE	*4*	**160,255**	212,853
Cost of sales		**(97,329)**	(126,688)
Gross profit		**62,926**	86,165
Other income and gains	*4*	**5,778**	7,266
Selling and distribution expenses		**(29,554)**	(27,700)
Administrative expenses		**(55,008)**	(51,051)
Other expenses		**(253)**	(64)
Finance costs		**(1,641)**	(1,297)
Share of losses of an associate		**(315)**	–

INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)

For the six months ended 30 June 2023

	Notes	Six months ended 30 June **2023** **(Unaudited)** ***HK$'000***	2022 (Unaudited) *HK$'000*
PROFIT/(LOSS) BEFORE TAX	*5*	**(18,067)**	13,319
Income tax expense	*6*	**(694)**	(4,046)
PROFIT/(LOSS) FOR THE PERIOD		**(18,761)**	9,273
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY		***HK cents***	*HK cents*
– Basic	*8*	**(0.94)**	0.46
		HK cents	*HK cents*
– Diluted	*8*	**(0.94)**	0.46

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 June 2023

	Six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
PROFIT/(LOSS) FOR THE PERIOD	**(18,761)**	9,273
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	**(9,854)**	(12,298)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD ATTRIBUTABLE TO OWNERS OF THE COMPANY	**(28,615)**	(3,025)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Notes	**30 June 2023 (Unaudited) *HK$'000***	31 December 2022 (Audited) *HK$'000*
NON-CURRENT ASSETS			
Property, plant and equipment	*9*	**131,459**	130,707
Right-of-use assets		**28,964**	36,184
Prepayments and deposits		**10,318**	9,556
Goodwill		**361**	361
Other intangible assets		**5,613**	6,055
Financial asset at fair value through profit or loss		**5,892**	5,803
Investment in an associate		**8,983**	–
Deferred tax assets		**504**	504
Total non-current assets		**192,094**	189,170
CURRENT ASSETS			
Inventories		**73,315**	68,758
Trade receivables	*10*	**33,660**	42,923
Prepayments, deposits and other receivables		**15,022**	16,982
Pledged deposits		**14,138**	14,138
Cash and cash equivalents		**32,839**	62,325
Tax recoverable		**74**	771
Total current assets		**169,048**	205,897
CURRENT LIABILITIES			
Trade payables	*11*	**38,748**	53,572
Other payables and accruals		**53,687**	40,808
Interest-bearing bank borrowings		**23,102**	17,865
Lease liabilities		**13,913**	14,979
Tax payable		**8,241**	8,297
Total current liabilities		**137,691**	135,521
NET CURRENT ASSETS		**31,357**	70,376
TOTAL ASSETS LESS CURRENT LIABILITIES		**223,451**	259,546

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (continued)
As at 30 June 2023

	Note	**30 June 2023 (Unaudited)** *HK$'000*	31 December 2022 (Audited) *HK$'000*
NON-CURRENT LIABILITIES			
Other payables		**3,476**	442
Interest-bearing bank borrowings		**2,125**	3,017
Lease liabilities		**9,584**	15,209
Deferred tax liabilities		**1,618**	1,618
Total non-current liabilities		**16,803**	20,286
Net assets		**206,648**	239,260
EQUITY			
Equity attributable to owners of the Company			
Share capital	*12*	**20,000**	20,000
Reserves		**186,648**	219,260
Total equity		**206,648**	239,260

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 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 reporting periods, the Group was principally engaged in the manufacturing and sale of printing products.

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.

2.1 BASIS OF PREPARATION

The interim condensed consolidated financial information for the six months ended 30 June 2023 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 2022.

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 2022, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("**HKFRSs**") for the first time for the current period's financial information.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*
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 adoption of the above new and 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Mainland China	**59,815**	73,164
Hong Kong	**26,276**	40,945
Bangladesh	**20,225**	28,662
Vietnam	**12,926**	25,102
Turkey	**7,451**	3,611
United States	**4,740**	10,377
Other countries	**28,822**	30,992
	160,255	212,853

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

(b) Non-current assets

	30 June	31 December
	2023	2022
	(Unaudited)	(Audited)
	HK$'000	*HK$'000*
Hong Kong	**29,344**	29,633
Mainland China	**76,162**	80,168
Bangladesh	**35,580**	45,594
Vietnam	**12,641**	9,958
Other countries	**19,953**	14,850
	173,680	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:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Customer A	**N/A***	24,998

* 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:

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Revenue from contracts with customers		
(i) Disaggregated revenue information		
Types of goods or services		
Sale of printing products	**160,255**	212,853
Geographical markets		
Mainland China	**59,815**	73,164
Hong Kong	**26,276**	40,945
Bangladesh	**20,225**	28,662
Vietnam	**12,926**	25,102
Turkey	**7,451**	3,611
United States	**4,740**	10,377
Others	**28,822**	30,992
	160,255	212,853
Timing of revenue recognition		
Goods transferred at a point in time	**160,255**	212,853

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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'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 30 June 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.

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Other income and gains		
Freight and transportation income	**156**	205
Interest income	**308**	147
Sale of scrap materials	**735**	1,210
Government grants*	**596**	1,187
Foreign exchange differences, net	**2,663**	3,132
Gain on disposal of items of property, plant and equipment, net	**–**	12
Fair value gain on financial assets at fair value through profit or loss, net	**89**	119
Others	**1,231**	1,254
	5,778	7,266

* As at 30 June 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):

	For the six months ended 30 June	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Cost of sales#	**97,329**	126,688
Depreciation of property, plant and equipment	**8,710**	8,903
Depreciation of right-of-use assets	**5,878**	4,211
Amortisation of other intangible assets	**419**	50
Short-term lease expenses	**413**	167
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**70,786**	68,475
Pension scheme contributions (defined contribution scheme)##	**4,479**	5,153
	75,265	73,628
Government grants**	**(596)**	(1,187)
Auditor's remuneration	**1,236**	1,170
Foreign exchange differences, net*	**(2,663)**	(3,132)
Impairment of trade receivables***	**33**	64
Loss/(gain) on disposal of items of property, plant and equipment, net###	**220**	(12)
Fair value gain on financial assets at fair value through profit or loss, net*	**(89)**	(119)

* These items are included in "Other income and gains" on the face of the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2023 and 2022.

** 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 during the current period. In the prior period, it also included the government grant from the Employment Support Scheme from the Hong Kong government in respect of COVID-19 related subsidies. There are no unfulfilled conditions or contingencies relating to these grants.

*** This item is included in "Other expenses" on the face of the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2023 and 2022.

Cost of inventories sold includes HK$35,961,000 (2022: HK$36,569,000) 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.

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

This item included in "Other expenses" (2022: "Other income and gains") on the face of the interim condensed consolidated statement of profit or loss for the six months ended 30 June 2023.

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.

No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the period (2022: Nil). PRC tax was provided at the rate of 25% (2022: 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% (2022: 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	
	2023	2022
	(Unaudited)	(Unaudited)
	HK$'000	*HK$'000*
Current – Elsewhere		
Charge for the period	**694**	4,067
Deferred	**–**	(21)
Total tax charge for the period	**694**	4,046

7. DIVIDEND

The Board of Directors do not recommend the payment of any interim dividend for the six months ended 30 June 2023 (2022: Nil).

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 loss for the six months ended 30 June 2023 attributable to ordinary equity holders of the Company of HK$18,761,000 (Profit for the six months ended 30 June 2022 attributable to ordinary equity holders of the Company of HK$9,273,000) and the weighted average number of ordinary shares of 2,000,000,000 (2022: 2,000,000,000) in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amounts presented for the six months ended 30 June 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.

9. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2023, the Group acquired property, plant and equipment at a cost of approximately HK$10,520,000 (six months ended 30 June 2022: HK$14,141,000).

10. TRADE RECEIVABLES

	30 June 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Trade receivables	**34,547**	43,777
Impairment	**(887)**	(854)
	33,660	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 30-90 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 2023 (Unaudited) *HK$'000*	31 December 2022 (Audited) *HK$'000*
Within 1 month	**25,285**	22,278
1 to 2 months	**4,249**	13,485
2 to 3 months	**1,249**	2,809
Over 3 months	**2,877**	4,351
	33,660	42,923

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 2023 (Unaudited) ***HK$'000***	31 December 2022 (Audited) *HK$'000*
Within 1 month	**7,778**	16,391
1 to 2 months	**9,034**	15,658
2 to 3 months	**8,017**	8,096
Over 3 months	**13,919**	13,427
	38,748	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. SHARE CAPITAL

Shares	**30 June 2023 (unaudited)** ***HK$'000***	31 December 2022 (audited) *HK$'000*
Authorised:		
5,000,000,000 (31 December 2022: 5,000,000,000) ordinary shares of HK$0.01 (31 December 2022: HK$0.01) each	50,000	50,000
Issued and fully paid:		
2,000,000,000 (31 December 2022: 2,000,000,000) ordinary shares of HK$0.01 (31 December 2022: HK$0.01) each	20,000	20,000

13. COMMITMENTS

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

	30 June 2023 (Unaudited)	31 December 2022 (Audited)
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Building	**4,471**	14,360
Plant and machinery	**3,426**	343
	7,897	14,703

14. RELATED PARTY TRANSACTIONS

(a) The Group had the following transactions with related parties during the period:

		For the six months ended 30 June	
		2023 (Unaudited)	2022 (Unaudited)
	Notes	***HK$'000***	*HK$'000*
Associate:			
Sales of products	*(i)*	**300**	–
Commission expenses	*(ii)*	**576**	–

Notes:

(i) The sales to an associate were made according to mutually agreed prices.

(ii) Sales rebate paid to an associate was charged according to mutually agreed rates.

(b) Compensation of key management personnel of the Group

	For the six months ended 30 June	
	2023 (Unaudited)	2022 (Unaudited)
	HK$'000	*HK$'000*
Salaries, allowances and benefits in kind	**3,556**	2,850
Pension scheme contributions	**27**	26
	3,583	2,876

MANAGEMENT DISCUSSION AND ANALYSIS

Review of Operations

In the first half of 2023, the operating environment was full of challenges due to global economic difficulties, intensifying geopolitical tensions, interest rate hikes and global inflation. Since the lifting of the epidemic restrictions, the pace of recovery in the consumer industry has lagged behind economic performance and has been slower than expected. In the first half of the year, customers of apparel brands continued to reduce inventories, while there were no signs of a recovery in public consumer sentiment and purchasing power, so the overall performance of the apparel industry was unsatisfactory. In particular, North American consumers' spending on non-essential goods decreased significantly due to interest rate hikes and inflation, leading to more intense competition in the industry during the six months ended 30 June 2023 (the "**Review Period**").

During the Review Period, the Group was under pressure from customers' destocking, and therefore the Group's results were inevitably affected by such a difficult operating environment. During the Review Period, the Group recorded revenue of approximately HK$160.3 million, a decrease of 24.7% compared with the corresponding period last year (first half of 2022: approximately HK$212.8 million). Although production costs such as raw material prices and transportation costs decreased, the Group's gross profit margin for the Review Period decreased to 39.3% (first half of 2022: 40.5%) as wages remained high and labor costs increased. As the sales performance was affected by the macro environment and some of the Group's new sales offices and production bases (e.g. Mexico, Turkey) were still in the investment phase, pre-operational expenses were incurred during the Review Period, added that newly employed sales representatives were still under training, resulting in a loss attributable to owners of the Company of approximately HK$18.8 million (first half of 2022 : profit attributable to the owners of the Company of approximately HK$9.3 million).

In terms of sales, 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 orders of the global apparel industry in the fourth quarter of last year. Nevertheless, during the first half year, the Group focused on enhancing the existing global sales network and monitored market conditions to prepare for the recovery of future market demand. Our sales and marketing teams have been working hard to consolidate relationships with our existing customers in each market and to explore new opportunities, and are committed to attracting more potential customers under the weak consumption sentiment in order to rapidly improve business performance when the market recovers.

In terms of production, the Group has capitalized on the opportunity to establish strategic factories in the world's top three apparel manufacturing countries, namely China, Vietnam and Bangladesh, to manufacture apparel labels and trim products for leading global brands. During the Review Period, the construction of the new factory in Bangladesh was almost completed and the Group started to gradually move its production to the new factory. Although the relocation process had a short-term impact on production activities, the Group's productivity and effectiveness will be significantly enhanced upon completion of the process. During the Review Period, the factory in Mexico was launched on schedule and the Group seized the opportunities presented by the increasing demand for apparel labels and trim products in the local market.

On the product front, the Group leveraged its technological advantage to launch RFID products, and its sales performance was resilient amid the difficult situation. With the development of digitalization for global industries, RFID has been more widely used in inventory and retail management, and during the Review Period the Group received a number of inquiries from its existing and potential customers regarding the related products. In light of this, the Group has continuously invested more in research and development to explore new RFID products and enhance related technologies and productivity. In addition, the Group continued to follow the global trend of sustainability to provide customers with a diversified range of environmentally friendly products and solutions, while actively purchasing recyclable materials to create new environmentally friendly product lines and attract more large brands that embrace sustainability and "environmental, social and governance" (ESG).

During the Review Period, the Group actively integrated its existing businesses and enhanced its online retail channel after the launch of the new factory of the Group's fast printing company, Yinyibai* (印100) in Kwai Chung in December 2022. The Group acquired a portion of the equity of Primway S.A.R.L., a French company engaged in packaging business, during the Review Period. The acquisition will create synergies with the Group's existing businesses and help the Group to expand into the international market.

* *for identification purposes only*

Business and Financial Review

Revenue

The Group's unaudited consolidated revenue for six months ended 30 June 2023 amounted to approximately HK$ 160.3 million, representing a decrease of approximately 24.7% as compared with approximately HK$212.8 million in the corresponding period of 2022.

The decrease was primarily due to overall global economic uncertainty which results in a reduction in revenue.

Gross Profit

During the six months ended 30 June 2023, the Group's overall gross profit margin remained at a respectable level to approximately 39.3%, as compared with approximately 40.5% of the corresponding period of 2022.

The decrease in gross profit was mainly due to the decrease in sales order during the reporting period.

Other Income and Gains

Other income mainly consists of the gain on foreign exchange, the profit arising from sales of scrap materials, bank interest income and income received from government grants.

Other income decreased by approximately 20.5% from approximately HK$7.3 million in the first half of 2022 to HK$ 5.8 million for six months ended 30 June 2023.

The decrease was due to the one off income received from government grants in prior period and the gain on foreign exchange and sales of scrap materials decrease during the reporting period.

Selling and Distribution Expenses

Selling and distribution expenses increased by approximately 6.7% from approximately HK$27.7 million in the first half of 2022 to approximately HK$ 29.6 million in the same period of 2023.

The increase mainly represented the headcount of sales representatives increase and sales activity, which included training new sales representatives compared with the corresponding period of 2022.

Administrative Expenses

Administrative expenses increased by approximately 7.8% from approximately HK$51.1 million in the first half of 2022 to approximately HK$55.0 million in the same period of 2023.

The increase was mainly due to the operating cost of expanding for new subsidiaries during the reporting period.

Other Expenses

Other expenses represented the loss on disposal of property, plant and equipment and impairment of trade receivable during the reporting period.

Finance Cost

Finance cost mainly consists of the interest on bank loan and interest on lease liabilities.

Finance cost amount to approximately HK$1.6 million, representing an increase of approximately 26.5% as compared with approximately HK$1.3 million in the corresponding period of 2022.

The increase was due to the increase in the interest rate and the new bank loan occur during the reporting period.

Taxation

Taxation expenses of the Group were calculated based on the assessable profits of the subsidiaries at the rate prevailing in the relevant jurisdictions.

Taxation expenses in the first half of 2023 amount to approximately HK$0.7 million, representing a significantly decrease of approximately 82.8% from approximately HK$4.0 million in the first half of 2022.

The above change was mainly due to the operating loss and reduction in the provision incurred during the reporting period.

Loss for the period

Reported net loss for the first half of 2023 was approximately HK$18.8 million compared with the net profit of approximately HK$9.3 million in the first half of 2022.

The financial performance faced challenge, which was mainly due to the overall global economic uncertainty which results in a reduction in revenue.

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 2023, the Group had net current assets of approximately HK$31.4 million (31 December 2022: approximately HK$70.4 million) including inventories of approximately HK$73.3 million (31 December 2022: approximately HK$68.8 million), trade receivables of approximately HK$33.7 million (31 December 2022: approximately HK$42.9 million) and trade payables of approximately HK$38.7 million (31 December 2022: approximately HK$53.6 million).

As at 30 June 2023, cash and cash equivalents for the Group accounted for approximately HK$32.8 million (31 December 2022: approximately HK$62.3 million) which mainly approximately HK$2.4 million (31 December 2022: approximately HK$26.8 million) was denominated in Hong Kong Dollars, approximately HK$11.2 million (31 December 2022: approximately HK$18.5 million) was denominated in US Dollars, approximately HK$1.4 million (31 December 2022 : approximately HK$5.6 million) was denominated in EUR Dollars, and approximately HK$8.7 million (31 December 2022: approximately HK$2.7 million) was denominated in Renminbi. The Group's cash in HK Dollars, US Dollars, EUR Dollars and Renminbi was held to support its core operational needs.

As at 30 June 2023, the Group had interest-bearing bank borrowings of approximately HK$25.2 million (31 December 2022: approximately HK$20.9 million) and aggregate banking facilities of approximately HK$101.3 million (31 December 2022: approximately HK$122.1 million), of which approximately HK$29.8 million (31 December 2022: approximately HK$20.9 million) was utilised and approximately HK$71.5 million (31 December 2022: approximately HK$101.2 million) was unutilised.

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 1.23 times as at 30 June 2023 from approximately 1.52 times as at 31 December 2022. The gearing ratio (dividing bank borrowings plus lease liabilities by equity attributable to owners of the Company) was approximately 23.6% as at 30 June 2023, while the gearing ratio as at 31 December 2022 was approximately 21.3%. 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, Euro dollars and United States dollars. The Group currently does not have a foreign currency hedging policy. 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 2023.

The Group will continue to monitor its foreign currency exposure and consider hedging significant currency exposure should the need arise.

Charges on Group Assets

The Group did not have any plant and machinery was pledged to secure certain of the bank loans of the Group as at 30 June 2023. A life insurance policy with a carrying amount of approximately HK$5.9 million (31 December 2022: approximately HK$5.8 million) was pledged to secure certain bank loans granted to the Group.

USE OF PROCEEDS FROM LISTING

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.

Set out below is the actual use of net proceeds up to the date of this announcement.

Use of net proceeds	Percentage of net proceeds	Net proceeds	Amount remaining and brought forward from the six months ended 30 June 2022	Amount utilised in the year ended 31 December 2022	Amount remaining and brought forward from the year ended 31 December 2022	Amount utilised in the six months ended 30 June 2023	Amount remaining and brought forward from the six months ended 30 June 2023	Updated expected timeline for utilisation of the unused net proceeds
		HK$'000	*HK$'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	41,649	6,237	35,412	3,504	31,908	on or before 30 September 2023
General Working Capital	1.6%	1,100	0	N/A	0	N/A	0	N/A
Total	100%	69,900	41,649	6,237	35,412	3,504	31,908	

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 dated 28 February 2020, which is because of the outbreak of COVID-19.

Save for the delay in use of proceeds, up to 30 June 2023, the Group had used the net proceeds as originally intended. Unutilised proceeds were deposited in licensed bank in Hong Kong.

Prospects

While the global economy continues to face uncertainties such as ongoing geopolitical instability, inflation and contractionary monetary policies, the lifting of epidemic prevention and control policies across the world will help support economic growth by boosting trade activities and moderating the surge in costs. The Organisation for Economic Co-operation and Development forecasts that the world economy will grow by 2.7% in real terms in 2023. The Group believes that there is a slight turnaround in the market, but it will take time to fully recover, so the Group is cautiously optimistic about the prospects of the apparel label and trim product industries.

As we enter the second half of 2023, the retail industry is beginning to show signs of improvement around the world, with retail sales value and volume in Hong Kong growing by 19.6% and 17.5% year-on-year respectively in June, and the retail sales in the United States also grew 0.7% month-on-month in July, which is higher than market expectations. The Group's overall market order volume stopped declining. In addition, some collaborative projects with clients were postponed from the first half of 2023 to the second half of the year. If these projects are implemented as scheduled, the Group's sales performance will be improved. The relocation of the Group's factory in Bangladesh is nearing completion, and the factory in Sri Lanka has been completed and will become operational this year. This will enable the Group to quickly seize the opportunities presented by the upturn in the market. With a global sales network, factories around the world, a growing international client base and a diversified range of on-trend apparel labels and trim products, the Group is well-positioned to take advantage of the recovery in the retail industry.

RFID products are widely used in global logistics and new retail industries, and the market demand is increasing day by day. As RFID is one of the Group's key development businesses, it will invest resources to expand the market.

At the same time, the integration stage with the newly acquired French company, Primway S.A.R.L., will help the Group to expand its businesses to overseas regions. The Group also plans to expand its fast printing business to the business-to-business (B2B) level via Yinyibai*. With the increasing frequency of events such as various international exhibitions and conferences, the market demand for fast printing products is increasing day by day, and the Group will plan ahead to seize these opportunities.

Although the overall economic environment remains challenging, the Group has been relentless in its pursuit of high-quality potential investments and collaborations in the face of adversity. Some of the business agreements are in the final stage of negotiation, and the Group believes that formalizing these collaborations will effectively increase both the volume and the quantity of goods, thereby boosting the Group's revenue.

Going forward, in the face of many uncertainties, the Group will continue to assess the current situation and promote its business development in a prudent manner. It will allocate resources and adjust strategies in a timely manner, and strive to develop a customer base in different regions, so as to grasp the opportunities in this ever-changing environment, proactively address challenges, and strive to create greater value for shareholders.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company is committed to maintain 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 14 to the Listing Rules for the Review Period. 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 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.

* *for identification purposes only*

INTERIM DIVIDEND

The Board of Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2023. (2022: Nil)

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as of the date of this announcement, the Company maintained the prescribed public float of no less than 25% as required under the Listing Rules.

MATERIAL ACQUISITIONS AND DISPOSALS

On 24 February 2023 (after trading hours), Lowatag Limited, an indirect wholly-owned subsidiary of the Company, being the purchaser (the "**Purchaser**") entered into an investment agreement with an independent third parties as vendor (the "**Vendors**"), pursuant to which (i) the Purchaser agreed to subscribe for the subscription shares; and (ii) the Vendors agreed to sell and the Purchaser agreed to acquire the shares from Primway S.A.R.L, for a total consideration of EUR1,095,000 (the "**Acquisition**"). As the relevant percentage ratios exceed 5% but all relevant percentage ratios are below 25%, the Acquisition and the transactions contemplated thereunder constitute a discloseable transaction on the part of the Company under Chapter 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and are subject to the announcement under Chapter 14 of the Listing Rules. For details of the acquisition, please refer to the announcement of the Company 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 Review Period.

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

There was no significant event relevant to the business or financial performance of the Group that has come to the attention of the Directors after the six months ended 30 June 2023 and up to the date of this announcement.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group had no material contingent liabilities (31 December 2022: Nil).

SHARE OPTION SCHEME

Share option scheme of the Company was adopted on 21 February 2020. At the six months ended 30 June 2023, the Company had 2,000,000 share options outstanding under the scheme (31 December 2022: 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 2023, 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 2023 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 2023 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 2023

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.