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CircuTech International Holdings Limited
訊智海國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8051)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2023

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.

Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

*This announcement, for which the directors (the “**Directors**” and each a “**Director**”) of CircuTech International Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company and its subsidiaries (collectively the “**Group**”). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.*

RESULTS

The board of Directors (the “**Board**”) hereby announces the unaudited condensed consolidated interim results of the Group for the three months and six months ended 30 June 2023, together with the comparative unaudited figures for the corresponding periods in 2022, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended		Six months ended	
		30 June		30 June	
	<i>Notes</i>	2023	2022	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	4	15,099	136,413	28,502	315,840
Cost of sales		(11,686)	(128,055)	(21,743)	(298,868)
Gross profit		3,413	8,358	6,759	16,972
Other income		1,698	1,013	2,824	1,802
Selling and distribution costs		(389)	(1,574)	(805)	(3,724)
Administrative expenses		(3,697)	(3,478)	(6,768)	(7,985)
Research and development expenditures		(216)	(319)	(433)	(629)
Fair value gain/(loss) on derivative financial instrument		1,987	(312)	1,987	(312)
Share of net profit of an associate accounted for using the equity method		158	111	597	241
Finance costs		(32)	(19)	(73)	(33)
Profit before income tax	6	2,922	3,780	4,088	6,332
Income tax expenses	7	(51)	(1,502)	(352)	(3,140)
Profit for the period		<u>2,871</u>	<u>2,278</u>	<u>3,736</u>	<u>3,192</u>

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive income for the period:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations	(12)	(889)	1,037	(878)
<i>Item that will not be reclassified to profit or loss</i>				
Changes in the fair value of equity investment at fair value through other comprehensive income	–	146	–	146
Other comprehensive income for the period	(12)	(743)	1,037	(732)
Total comprehensive income for the period	2,859	1,535	4,773	2,460
Profit for the period attributable to:				
– Owners of the Company	2,274	2,278	3,139	3,192
– Non-controlling interests	597	–	597	–
	2,871	2,278	3,736	3,192
Total comprehensive income attributable to:				
– Owners of the Company	2,262	1,535	4,176	2,460
– Non-controlling interests	597	–	597	–
	2,859	1,535	4,773	2,460
Earnings per share attributable to owners of the Company (<i>HK cents per share</i>)				
– Basic and diluted	9	9.70	9.72	13.40
		9.72	13.40	13.62

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Assets			
Non-current assets			
Property, plant and equipment		53	74
Right-of-use assets		2,123	3,264
Interest in an associate		6,882	6,053
Derivative financial instruments		10,411	8,120
Financial asset at fair value through other comprehensive income		1,597	1,597
		21,066	19,108
Current assets			
Inventories		968	1,563
Trade and other receivables	<i>10</i>	11,691	14,592
Cash and cash equivalents		127,573	138,122
		140,232	154,277
Total assets		161,298	173,385

		As at 30 June 2023 <i>Notes</i> HK\$'000 (unaudited)	As at 31 December 2022 <i>Notes</i> HK\$'000 (audited)
Equity			
Share capital	<i>12</i>	4,687	4,687
Other reserves		194,706	193,669
Accumulated losses		(46,659)	(49,798)
		<hr/>	<hr/>
Capital and reserves attributable to owners of the Company		152,734	148,558
Non-controlling interests		979	11,486
		<hr/>	<hr/>
Total equity		153,713	160,044
		<hr/> <hr/>	<hr/> <hr/>
Liabilities			
Current liabilities			
Trade and other payables	<i>11</i>	4,899	5,751
Lease liabilities		1,853	1,995
Contract liabilities		200	3,479
Tax payables		256	738
		<hr/>	<hr/>
		7,208	11,963
		<hr/>	<hr/>
Total assets less current liabilities		154,090	161,422
		<hr/>	<hr/>
Non-current liabilities			
Lease liabilities		377	1,378
		<hr/>	<hr/>
Total liabilities		7,585	13,341
		<hr/> <hr/>	<hr/> <hr/>
Total equity and liabilities		161,298	173,385
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

CircuTech International Holdings Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) is principally engaged in the sales and distribution of IT products and the provision of repairs and other service support of IT products.

The Company is a limited liability company incorporated in the Cayman Islands. The address of its registered office is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company has its primary listing on GEM of The Stock Exchange of Hong Kong Limited.

This interim condensed consolidated financial information is presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2023 have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable disclosure requirements of the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”).

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”).

These interim condensed consolidated financial statements are unaudited, but has been reviewed by BDO Limited in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity”, issued by the HKICPA.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the interim condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 December 2022, as described in those annual financial statements, except for the adoption of amendments to standards and new standard effective for the financial year ending 31 December 2023. The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2023.

HKFRS 17 – Insurance Contracts and the related Amendments

Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies

Amendments to HKAS 8, Definition of accounting estimates

Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

Amendments to HKAS 12, International Tax Reform - Pillar Two Model Rules

Except as described below, the adoption of the amendments to HKFRSs did not have a material impact on the Group's unaudited interim condensed consolidated financial information for the six months ended 30 June 2023.

Impacts on application of HKFRS 17 and the related amendments

HKFRS 17 replaces HKFRS 4 for annual reporting periods beginning on or after 1 January 2023.

HKFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to HKFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with HKFRS 4 permitting many previous accounting approaches to be followed.

HKFRS 17 defines an insurance contract as a contract under which the Group accept significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder.

Certain contracts entered into by the Group, e.g. assurance type warranty to customers, meet the definition of insurance contracts under HKFRS 17. However, these contracts are specifically scoped out from HKFRS 17, and the Group continues to account for these contracts under relevant accounting standards. Therefore, the application of HKFRS 17 in the current period had no material impact on the interim condensed consolidated financial statements.

4. REVENUE

An analysis of the Group's revenue from its major products and services for the periods is as follows:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales and distribution of IT products	9,620	134,552	20,530	312,184
Repairs and service support	5,479	1,861	7,972	3,656
Revenue from contracts with customers	<u>15,099</u>	<u>136,413</u>	<u>28,502</u>	<u>315,840</u>

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 5.

5. SEGMENT INFORMATION

The Group is principally engaged in the sales and distribution of IT products and the provision of repairs and other service support of IT products.

The chief operating decision-makers have been identified as the executive directors of the Company (the “**Executive Directors**”). The Executive Directors have determined the operating segments based on the information reviewed by them that are used to make strategic decisions.

Management considers the business from a product perspective whereby management assesses the performance of sales and distribution of IT products and repairs and service support.

During the six months ended 30 June 2023 and 2022, the Group's operating and reporting segments are as follows:

Sales and distribution of IT products	– Designs, manufactures and markets video surveillance systems and distributes third-party IT products
Repairs and service support	– Provision of repairs, maintenance and other service support for electronic products

Segment revenue and results

The segment information provided to the Executive Directors for the reportable segments for the six months ended and three months ended 30 June 2023 and 2022 is as follows:

Six months ended 30 June 2023 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>20,530</u>	<u>7,972</u>	<u>28,502</u>
Time of revenue recognition			
– At a point in time	20,530	7,972	28,502
– Over time	<u>–</u>	<u>–</u>	<u>–</u>
Segment profit	<u>1,071</u>	<u>2,400</u>	3,471
Interest income from bank deposits			1,190
Other income			1,634
Salaries, wages and other benefits			(1,804)
Depreciation charges			(977)
Fair value gain on derivative financial instrument			1,987
Finance costs			(73)
Unallocated corporate expenses (<i>note</i>)			<u>(1,937)</u>
Operating profit			3,491
Share of net profit of an associate accounted for using the equity method			<u>597</u>
Profit before income tax			4,088
Income tax expenses			<u>(352)</u>
Profit for the period			<u>3,736</u>

Three months ended 30 June 2023 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	9,620	5,479	15,099
Time of revenue recognition			
– At a point in time	9,620	5,479	15,099
– Over time	–	–	–
Segment profit	613	1,371	1,984
Interest income from bank deposits			711
Other income			987
Salaries, wages and other benefits			(1,097)
Depreciation charge			(733)
Fair value gain on derivative financial instrument			1,987
Finance costs			(32)
Unallocated corporate expenses (<i>note</i>)			(1,043)
Operating profit			2,764
Share of net profit of an associate accounted for using the equity method			158
Profit before income tax			2,922
Income tax expenses			(51)
Profit for the period			2,871

Six months ended 30 June 2022 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>312,184</u>	<u>3,656</u>	<u>315,840</u>
Time of revenue recognition			
– At a point in time	312,184	3,595	315,779
– Over time	<u>–</u>	<u>61</u>	<u>61</u>
Segment profit	<u>7,607</u>	<u>1,160</u>	8,767
Interest income from bank deposits			42
Other income			1,524
Salaries, wages and other benefits			(1,226)
Depreciation charge			(1,742)
Fair value loss on derivative financial instrument			(312)
Finance costs			(33)
Unallocated corporate expenses (<i>note</i>)			<u>(929)</u>
Operating profit			6,091
Share of net profit of an associate accounted for using the equity method			<u>241</u>
Profit before income tax			6,332
Income tax expenses			<u>(3,140)</u>
Profit for the period			<u>3,192</u>

Three months ended 30 June 2022 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>134,552</u>	<u>1,861</u>	<u>136,413</u>
Time of revenue recognition			
– At a point in time	134,552	1,861	136,413
– Over time	<u>–</u>	<u>–</u>	<u>–</u>
Segment profit	<u>4,142</u>	<u>721</u>	4,863
Interest income from bank deposits			21
Other income			756
Salaries, wages and other benefits			(437)
Depreciation charge			(862)
Fair value loss on derivative financial instrument			(312)
Finance costs			(19)
Unallocated corporate expenses (<i>note</i>)			<u>(341)</u>
Operating profit			3,669
Share of net profit of an associate accounted for using the equity method			<u>111</u>
Profit before income tax			3,780
Income tax expenses			<u>(1,502)</u>
Profit for the period			<u>2,278</u>

Note:

Unallocated corporate expenses represent general corporate expenses such as executive salaries and other unallocated general and administrative expenses.

Geographical information

The Group's business activities are conducted predominantly with customers in Asia during the period. Revenue is allocated based on the location where the Group's customers are located. The amount of its revenue from external customers by location is shown in the table below.

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Japan	8,452	178	15,033	1,166
Hong Kong	3,690	4,281	6,660	15,010
Australia	1,400	1,861	2,818	3,595
United States	1,239	97,347	2,651	201,680
Taiwan	1	23,576	1	69,045
Netherlands	–	8,688	–	24,492
Others	317	482	1,339	852
	15,099	136,413	28,502	315,840

6. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging and crediting the following:

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	15	581	30	1,168
Depreciation of right-of-use assets	459	303	965	596
Interest expenses on lease liabilities	32	19	73	33
Short-term lease expenses	124	105	222	223
Interest income	(711)	(25)	(1,190)	(46)
Net foreign exchange loss/(gain)	(32)	(127)	113	(27)
Fair value (gain)/loss on derivative financial instruments	(1,987)	312	(1,987)	312
Gain on lease modification	(4)	(9)	(4)	(9)
(Net reversal of provision)/net provision of inventories (included in cost of sales)	18	677	(89)	1,479
Rental income	(600)	(600)	(1,200)	(1,200)
Government subsidy (note)	–	(240)	–	(240)

Note:

The government subsidies were granted under the Employment Support Scheme (“ESS”) as the second round of the Anti-epidemic Fund, which aims to retain staff employment. The Group is required to undertake to employ sufficient number of employees with a monthly wage of HK\$8,000 or above is no less than the chosen “full subsidy headcount” and to spend all the wage subsidies on paying wages to the employees. For the six months ended 30 June 2023, the Group did not recognise any government subsidies from the ESS as “Other income” in the interim condensed consolidated statement of comprehensive income (six months ended 30 June 2022: approximately HK\$240,000).

7. INCOME TAX EXPENSES

Hong Kong profits tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ending 31 December 2023 (2022: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tier profits 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%).

Taxation on overseas profit has been calculated on the estimated assessable profit for the period at the rates of taxation prevailing in the countries/places in which the Group operates.

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
– Hong Kong Profits Tax	(84)	–	8	–
– Overseas taxation	135	1,502	344	3,140
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Income tax expenses	<u>51</u>	<u>1,502</u>	<u>352</u>	<u>3,140</u>

8. DIVIDEND

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

9. EARNINGS PER SHARE

(a) Basic

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by weighted average number of ordinary shares outstanding during the periods.

	Three months ended		Six months ended	
	30 June		30 June	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to the ordinary equity shareholders of the Company in calculating basic earnings per share	2,274	2,278	3,139	3,192
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share ('000)	23,434	23,434	23,434	23,434
Basic earnings per share attributable to the ordinary equity shareholders of the Company (<i>HK cents per share</i>)	<u>9.70</u>	<u>9.72</u>	<u>13.40</u>	<u>13.62</u>

(b) Diluted

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding in both periods presented.

10. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Trade receivables	2,241	6,656
Deposit and other receivables	<u>8,957</u>	<u>4,121</u>
Financial assets at amortised cost	11,198	10,777
Prepayments	<u>493</u>	<u>3,815</u>
Total trade and other receivables	<u>11,691</u>	<u>14,592</u>

The majority of the Group's sales are on cash basis. The remaining amounts are with credit terms generally ranging from 15 to 45 days. As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Within 1 month	2,230	6,630
1 to 2 months	11	–
2 to 3 months	–	26
	<u>2,241</u>	<u>6,656</u>

11. TRADE AND OTHER PAYABLES

	As at 30 June 2023 HK\$'000 (unaudited)	As at 31 December 2022 HK\$'000 (audited)
Trade payables	2,174	1,536
Deposits received	711	709
Other tax payables	95	994
Accruals and other payables	1,919	2,512
	<u>4,899</u>	<u>5,751</u>

As at 30 June 2023 and 31 December 2022, the ageing analysis of the trade payables based on invoice date were as follows:

	As at 30 June 2023 <i>HK\$'000</i> (unaudited)	As at 31 December 2022 <i>HK\$'000</i> (audited)
Within 1 month	2,172	1,536
1 to 2 months	2	–
2 to 3 months	–	–
	<u>2,174</u>	<u>1,536</u>

12. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2023 <i>'000</i> (unaudited)	31 December 2022 <i>'000</i> (audited)	30 June 2023 <i>HK\$'000</i> (unaudited)	31 December 2022 <i>HK\$'000</i> (audited)
Ordinary shares				
Issued and fully paid	<u>23,434</u>	<u>23,434</u>	<u>4,687</u>	<u>4,687</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group operates in two business segments, namely, the sales and distribution of IT products and the provision of repairs and other service support of IT products.

The Group undertook a planned and structured process to develop and strengthen its repairs and service support segment to improve its profitability and return on capital employed. During the period, the Group has also adjusted its business model for the sales and distribution segment to focus on distribution of IT products with higher gross margin to improve the Group's liquidity. The management will allocate more resources for further development of its repairs and service support segment and explore for suitable investment opportunities in the "Circular Economy".

Sales and distribution of IT products

The core business segment of the Group is sales and distribution of IT products. It includes distribution of renowned third-party IT products and video surveillance systems carrying our own brand name. The third-party IT products are mainly used and refurbished units that are distributed through our well-established wholesale network covering the North America, Asia and Europe.

With an aim to improve the return on working capital employed, the management has increased the expected gross margin for the sales transactions. As a result, the segment revenue has dropped when compared to the same period of last year and the segment profit to segment revenue ratio has increased from approximately 2.4% for the six months ended 30 June 2022 to approximately 5.2% for the six months ended 30 June 2023.

The Group's advantages to compete against other global distributors are management's expertise and its proven track record, together with being a member of the Foxconn Technology Group that is worldwide well-known and has strong business bond with numbers of international brands. The Group will continue to manage its tied up working capital by improving the inventory turnover days and mitigating the inventory risk, with an aim to shorten the cash conversion cycle.

During the period, the Group continued to review and re-evaluate its business model, with an aim to improve efficiency, and achieve a higher profit margin. The Group will continue to closely monitor the market situations and make necessary adjustments to its strategies and operations.

Provision of repairs and other service support of IT products

The Group provides full range of after-sales maintenance supporting services for video surveillance products carrying our own brand name. Smart device applications were also developed by the Group to provide remote control and monitoring of the video surveillance products. The Group operates a repair centre and provides end-to-end repair services, including reverse logistics, bench repair services, spare parts storage and distribution and customer delivery. The Group aims to provide best-in-class repair and rework services so as to ensure customers' issues are resolved quickly and with minimum impact on their business.

During the period, a repair centre in Shenzhen commenced operation and started to provide end-to-end repair services. The management expects the repairs and service support segment to grow steadily in the coming quarters.

FINANCIAL REVIEW

Revenue

The Group's total revenue amounted to approximately HK\$28.5 million for the six months ended 30 June 2023, representing a decrease of approximately HK\$287.3 million as compared to that of approximately HK\$315.8 million for the six months ended 30 June 2022. The decrease in revenue was mainly due to the drop in segment revenue of the sales and distribution segment following the adjusted business model as explained in the paragraph headed "Business Review" above.

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales and distribution of IT products	20,530	312,184
Repairs and service support	7,972	3,656
Revenue from contracts with customers	<u>28,502</u>	<u>315,840</u>

Sales and distribution of IT products

For the six months ended 30 June 2023, the revenue from sales and distribution of IT products continued to be the largest source of income of the Group which accounted for approximately 72.0% of the revenue of the Group. Revenue from sales and distribution of IT products consists of third-party IT products and video surveillance products carrying our own brand name. The drop in segment revenue of the sales and distribution segment was due to the adjusted business model as explained in the paragraph headed "Business Review" above.

Provision of repairs and other service support of IT products

The revenue from repairs and service support increased from approximately HK\$3.7 million for the six months ended 30 June 2022 to approximately HK\$8.0 million for the six months ended 30 June 2023. The increase in segment revenue was mainly due to the expanded service support of IT products in addition to video surveillance products carrying our own brand name.

Segment information by geographical location

	Six months ended 30 June	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Japan	15,033	1,166
Hong Kong	6,660	15,010
Australia	2,818	3,595
United States	2,651	201,680
Taiwan	1	69,045
Netherlands	–	24,492
Others	1,339	852
	<hr/>	<hr/>
Total revenue	28,502	315,840

For the six months ended 30 June 2023, Japan market contributed approximately 52.7% (six months ended 30 June 2022: approximately 0.4%) of the Group's revenue. Hong Kong market contributed approximately 23.4% (six months ended 30 June 2022: approximately 4.8%) and Australia market contributed approximately 9.9% (six months ended 30 June 2022: approximately 1.1%) of the Group's revenue for the six months ended 30 June 2023, respectively. The change in contribution of revenue by geographical locations was due to the adjustment in the Group's business model to develop its repairs and service support segment and the change of product mix driven by the demand and supply of the IT products of the sales and distribution segment in each of the geographical location.

Cost of sales

A major component of the cost of sales was the cost of inventories. In line with the decrease in business volume, the cost of sales for the six months ended 30 June 2023 decreased to approximately HK\$21.7 million, as compared to that of approximately HK\$298.9 million for the corresponding period in 2022. There was a net reversal of provision of inventories (included in the cost of sales) amounting to approximately HK\$89,000 as compared to a net inventory provision of approximately HK\$1.5 million for the six months ended 30 June 2022 to account for the decrease in slow-moving inventories.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$10.2 million for the six months ended 30 June 2023, which was caused by the decrease in business volume. The overall gross margin increased from approximately 5.4% for the six months ended 30 June 2022 to approximately 23.7% for the six months ended 30 June 2023. The increase in overall gross margin was mainly due to the growth in repairs and service support segment which generates better gross profit margin than the sales and distribution segment.

Selling and distribution expenses

The Group managed to cut its selling and distribution expenses by approximately 78.4% for the six months ended 30 June 2023. A major component of the selling and distribution expenses was staff costs, takeback and data wiping cost for used devices and warehousing charges. During the period, the Group has adjusted its business model for the sales and distribution business to improve efficiency and to save staff costs.

Administrative expenses

Administrative expenses decreased by approximately 15.2% to approximately HK\$6.8 million during the six months ended 30 June 2023. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its administrative expenses reasonably low.

Net profit for the period

Despite the decrease in total revenue, the Group generated more profit than the corresponding period last year. The Group recorded a net profit of approximately HK\$3.7 million and net profit of approximately HK\$3.2 million for the six months ended 30 June 2023 and 2022, respectively. The net profit for the six months ended 30 June 2023 was contributed by the net profit of approximately HK\$2.9 million for the three months ended 30 June 2023. The Board considers that the profitability in the second quarter of 2023 is generally in line with and comparable with the financial figures of the Group for the three months ended 31 March 2023 as disclosed in the quarterly report of the Company. The Group recorded a net profit of approximately HK\$0.9 million for the three months ended 31 March 2023.

Inventories and trade receivables

As at 30 June 2023, the inventory level decreased to approximately HK\$1.0 million (31 December 2022: approximately HK\$1.6 million). The Group continued to monitor the inventory level and reduce the inventory risk, with an aim to shorten the cash conversion cycle.

Trade receivables decreased to approximately HK\$2.2 million (31 December 2022: approximately HK\$6.7 million). The Group maintains strict control over credit lines granted to customers. During the period, customers of the Group maintain good credit history, and no material impairment of trade receivables is recognised.

Key financial performance

The above financial data were chosen to be presented in this interim results announcement as they represent a material financial impact on the consolidated financial statements of the Group for the current financial period and/or the previous financial year/period, that a change of which could affect the revenue and profit conspicuously. It is believed that the Group can effectively explain the financial performance of the Group for the period by presenting the changes of these financial data.

BUSINESS OUTLOOK

The Group will continue with its transformation process to expand its businesses by focusing on the post-sales arena of 3C products and to increase its market share in the “Circular Economy”. As a member of Foxconn Technology Group, an international environmentally friendly manufacturer, the Group aims to lengthen the life of 3C products by establishing sales and distribution channels for quality refurbished or end-of-life units and provides best-in-class repair and refurbishment services.

The Group expects to face intense competition in the used and second-hand IT product distribution business and will modify its operations in response to technological advances, increased competition, and stakeholder expectations. The Group is undertaking a planned and structured process to develop and strengthen its repairs and service support segment to improve its profitability and efficiency.

In order to diversify the business portfolio of the Group and to generate more stable returns for the shareholders of the Company, given the current contribution of the repairs and service support segment to the overall revenue of the Group and the relatively high profit margin of this segment, the Group believes that there is plenty of room for growth of the repairs and service support segment. The Group will focus on and allocate its resources to the development of the repairs and service support segment, in particular setting up repair centres to provide repair services of electronic products for renowned IT brands and service centres for its own products. Looking forward, with the relaxation of domestic epidemic prevention policies by the Chinese government, the Group aims to strengthen its position as corporate repair partners by setting up an additional repair centre in Guangdong Province and expanding its scope of services to cover more product types, including smart devices and its related accessories. The management will closely monitor the market situation, assess and react actively to its impacts on the financial position and operating results of the Group.

In addition, the Group is also exploring suitable opportunities to invest in the “Circular Economy” business segment, from de-marketing and takeback; salvage and scrapping; recycling of 3C products to reproduce raw materials; to Waste Electrical and Electronic Equipment compliance and governance reporting. The management believes that making the relevant strategic investment will enable the Group to strengthen its development foundation in “Green Technology” and enhance the Group’s business image.

The management anticipates additional fundraising may from time to time be required to support the working capital expenditure for such business growth. This entails investment in expanding and revamping overseas organisation structure, and potential capital expenditures if it is deemed to strategically enhance our capabilities.

EMPLOYEE INFORMATION

As at 30 June 2023, the Group employed 21 (30 June 2022: 23) full time employees in Hong Kong and 26 (30 June 2022: 12) full time employees in the People’s Republic of China and overseas offices. The Group’s staff costs, including Directors’ emoluments, employees’ salaries and retirement benefits schemes contributions amounted to approximately HK\$5,154,000 as of 30 June 2023 (30 June 2022: approximately HK\$6,732,000).

Employees are remunerated in accordance with individual’s responsibilities and performance, which remain competitive with the prevailing market rates. Other fringe benefits such as medical insurance, retirement benefits schemes and discretionary bonus are offered to all employees by the Group. Share options may be granted at the Directors’ discretion and under the terms and conditions of the share option scheme.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group had net current assets of approximately HK\$133.0 million (31 December 2022: approximately HK\$142.3 million) and cash and cash equivalents amounted to approximately HK\$127.6 million as at 30 June 2023 (31 December 2022: approximately HK\$138.1 million). The Group had no borrowings outstanding as at 30 June 2023.

As at 30 June 2023, the gearing ratio, which is calculated on the basis of total debts over total equity of the Group, was amounted to approximately 4.9% (31 December 2022: approximately 8.3%).

INTERIM DIVIDEND

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

CAPITAL STRUCTURE

As at 30 June 2023, the Company had an authorised share capital of HK\$80,000,000 divided into 400,000,000 shares of a par value of HK\$0.2 each, of which 23,433,783 shares of the Company (the “Share(s)”) were in issue. No convertible securities, options, warrants or similar rights by the Company or its subsidiaries were outstanding during the period.

The Group did not have any borrowings during the six months ended 30 June 2023 (31 December 2022: Nil).

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment during the six months ended 30 June 2023 (31 December 2022: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisition and disposal of subsidiaries and affiliated companies for the six months ended 30 June 2023 (31 December 2022: Nil).

CHARGE ON ASSETS

As at 30 June 2023 and 31 December 2022, no bank deposit was pledged for banking facility granted to the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Up to the date of this announcement, the Group does not have any other plan for material investments or capital assets.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the six months ended 30 June 2023, the Group's transactions were substantially denominated in either HK\$, United States dollars or Euros. The Group did not use any financial instruments for hedging purposes (31 December 2022: Nil). A significant volatility in foreign exchange rates may negatively affect the Group's results of operations and other comprehensive income.

CONTINGENT LIABILITIES

As at 30 June 2023, the Group did not have any contingent liabilities (31 December 2022: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY OF ITS ASSOCIATED CORPORATIONS

As at 30 June 2023, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required under Divisions 7 and 8 of the SFO to be notified to the Company and the Stock Exchange (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required under Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange were as follows:

Long position in the shares of associated corporation as at 30 June 2023

Name of Director	Name of associated corporation	Capacity	Number of shares held/ interested	Percentage of the issued share capital of associated corporation (approximate)
Chang Chuan-Wang	Hon Hai Precision Industry Co., Ltd.	Beneficial owner	17,000	0.00%

Save as disclosed above, as at 30 June 2023, none of the Directors nor chief executives of the Company had any interests or short positions in the Shares, underlying Shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required under Divisions 7 and 8 of the SFO to be notified to the Company and the Stock Exchange (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required under Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2023 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of eighteen, had any rights to subscribe for securities of the Company, or had exercised any such right during the six months ended 30 June 2023.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 30 June 2023, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of the Company) had interests or short positions in the Shares or underlying Shares which fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or recorded in the register required to be kept by the Company pursuant to section 336 of the SFO:

Long position in the Shares as at 30 June 2023

Name of Shareholders	Capacity	Number of Shares held/ interested	Percentage of the issued share capital of the Company (approximate)
Foxconn (Far East) Limited (<i>Note</i>)	Beneficial owner	11,853,524	50.58%
Hon Hai Precision Industry Co., Ltd.	Interest in a controlled corporation	11,853,524	50.58%

Note:

Foxconn (Far East) Limited is a wholly-owned subsidiary of Hon Hai Precision Industry Co., Ltd., a company incorporated in Taiwan and listed on the Taiwan Stock Exchange (stock code: 2317.TW). Hon Hai Precision Industry Co., Ltd. is deemed to be interested in the Shares held by Foxconn (Far East) Limited pursuant to the SFO.

Save as disclosed above, as at 30 June 2023, the Company had not been notified by any other persons (other than a Director or chief executive of the Company) who had interests or short positions in any Shares and the underlying Shares, which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme in the annual general meeting held on 11 November 2016. The purpose of the share option scheme is to attract and retain the best available personnel, to provide additional incentive to employees (full-time and part-time), directors, consultants, advisers, distributors, contractors, suppliers, agents, customers, business partners and service providers of the Group and to promote the success of the business of the Group.

The Board may, at its absolute discretion and on such terms as it may think fit, grant any employee (full-time or part-time), director, consultant or adviser of the Group, or any substantial shareholder of the Group, or any distributor, contractor, supplier, agent, customer, business partner or service provider of the Group, options to subscribe for such number of Shares as it may determine in accordance with the terms of the share option scheme.

The subscription price of a Share in respect of any particular option granted under the share option scheme shall be a price solely determined by the Board and notified to a participant and shall be at least the higher of: (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant of the option, which must be a business day; (ii) the average closing prices of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant of the option; or (iii) the nominal value of a Share on the date of grant of the option.

The total number of Shares issued and to be issued upon the exercise of options granted to any participant (including both exercised and outstanding options) under the share option scheme, in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue. Any further grant of options in excess of such limit must be separately approved by the Shareholders in general meeting with such grantee and his/her close associates (or his/her associates if such grantee is a connected person) abstaining from voting.

An offer for the grant of options must be accepted within seven days, inclusive of the day on which such offer was made. The amount payable by the grantee of an option to the Company on acceptance of an offer for the grant of option(s) is HK\$1.

The share option scheme does not specify a minimum period for which an option must be held. An option may be exercised in accordance with the terms of the share option scheme at any time during a period as the Board may determine, which shall not exceed ten years from the date of grant subject to the provisions of early termination thereof. The share option scheme will remain in force for a period of ten years commencing on the date of its adoption on 11 November 2016 and will expire at the close of business on 10 November 2026. Under the said scheme and following the share consolidation, the maximum number of Shares that may be issued upon the exercise of options that may be granted is 1,673,841 Shares, representing approximately 7.1% of the issued share capital of the Company as at the date of this announcement. No share options were granted under the share option scheme since its adoption.

COMPETING BUSINESS

During the six months ended 30 June 2023, none of the Directors, controlling shareholders of the Company or their respective close associates (as defined in the GEM Listing Rules) had any interests in a business that competes or may compete, either directly or indirectly, with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the six months ended 30 June 2023.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the “**Company's Code**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the Company's specific enquiry, each of the Directors has confirmed that during his/her tenure as Director during the six months ended 30 June 2023, he/she had fully complied with the required standard of dealings and the Company's Code, and there was no event of non-compliance.

CORPORATE GOVERNANCE CODE

The Company has adopted the principles and the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 15 to the GEM Listing Rules. During the six months ended 30 June 2023, the Company has complied with the CG Code.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2023 has been reviewed by the Company's auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountant.

The audit committee of the Company has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2023, this announcement and the interim report, and has provided advice and comments thereon.

By order of the Board

CircuTech International Holdings Limited

Mr. Chang Chuan-Wang

Chairman

Hong Kong, 9 August 2023

As at the date of this announcement, the executive Directors are Ms. Chen Ching-Hsuan and Mr. Han Chun-Wei; the non-executive Directors are Mr. Chang Chuan-Wang and Mr. Kao Chao Yang; and the independent non-executive Directors are Mr. Yeung Wai Hung Peter, Mr. Li Robin Kit Ling and Mr. Miao Benny Hua-ben.

This announcement will remain on the “Latest Listed Company Information” page of the website of the Stock Exchange at www.hkexnews.hk for at least seven days from the date of its posting and on the website of the Company at www.circutech.com.

In the event of any discrepancies between the English version and the Chinese version, the English version shall prevail.

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments.