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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)

ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED 31 DECEMBER 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.

The board (the “**Board**”) of directors (the “**Director(s)**”) of CircuTech International Holdings Limited (the “**Company**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the “**Group**”) for the year ended 31 December 2023 (“**FY2023**”), together with the audited comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
	<i>Notes</i>	2023 HK\$’000	2022 <i>HK\$’000</i> (restated)
Revenue	3	152,137	368,160
Cost of sales		<u>(138,346)</u>	<u>(341,591)</u>
Gross profit		13,791	26,569
Other income	4	7,638	3,941
Selling and distribution costs		(1,665)	(5,518)
Administrative expenses		(13,265)	(14,559)
Research and development expenditures		(846)	(1,265)
Fair value gain/(loss) on derivative financial instrument		470	(1,010)
Share of net profit of an associate accounted for using the equity method		1,593	292
Finance costs		<u>(114)</u>	<u>(108)</u>
Profit before income tax		7,602	8,342
Income tax expenses	6	<u>(987)</u>	<u>(3,281)</u>
Profit for the year		6,615	5,061
Other comprehensive income for the year:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences arising on translation of foreign operations		1,554	(3,015)
<i>Item that will not be reclassified to profit or loss</i>			
Change in the fair value of equity investment at fair value through other comprehensive income		–	146
Remeasurement of defined benefit plan obligations		<u>(29)</u>	<u>–</u>
Other comprehensive income for the year		<u>1,525</u>	<u>(2,869)</u>
Total comprehensive income for the year		<u>8,140</u>	<u>2,192</u>

		For the year ended	
		31 December	
		2023	2022
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
			(restated)
Profit for the year attributable to:			
– Owners of the Company		5,891	5,061
– Non-controlling interests		<u>724</u>	<u>–</u>
		<u>6,615</u>	<u>5,061</u>
Total comprehensive income for the year attributable to:			
– Owners of the Company		7,420	2,192
– Non-controlling interests		<u>720</u>	<u>–</u>
		<u>8,140</u>	<u>2,192</u>
Earnings per share attributable to owners of the Company			
<i>(HK cents per share)</i>			
– Basic and diluted	7	<u>25.14</u>	<u>21.60</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2023	2022
	Notes	HK\$'000	HK\$'000 (restated)
Assets			
Non-current assets			
Property, plant and equipment		41	74
Right-of-use assets		786	3,264
Interest in an associate		9,670	6,053
Derivative financial instrument		9,128	8,120
Financial asset at fair value through other comprehensive income		1,597	1,597
		<u>21,222</u>	<u>19,108</u>
Current assets			
Inventories		562	1,563
Trade and other receivables	9	37,105	14,592
Cash and cash equivalents		104,485	138,122
		<u>142,152</u>	<u>154,277</u>
Total assets		<u>163,374</u>	<u>173,385</u>
Equity			
Share capital		4,687	4,687
Other reserves		195,227	193,669
Accumulated losses		(44,296)	(50,158)
Capital and reserves attributable to owners of the Company		155,618	148,198
Non-controlling interests		1,102	11,486
Total equity		<u>156,720</u>	<u>159,684</u>
Liabilities			
Current liabilities			
Trade and other payables	10	4,367	5,751
Lease liabilities		733	1,995
Contract liabilities		242	3,479
Tax payables		750	720
		<u>6,092</u>	<u>11,945</u>
Total assets less current liabilities		<u>157,282</u>	<u>161,440</u>
Non-current liabilities			
Lease liabilities		100	1,378
Long service payment liabilities		462	378
		<u>562</u>	<u>1,756</u>
Total liabilities		<u>6,654</u>	<u>13,701</u>
Total equity and liabilities		<u>163,374</u>	<u>173,385</u>

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company				Non-controlling interests	Total
	Share capital	Other reserves	Accumulated losses	Total		
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2022	4,687	196,538	(55,219)	146,006	–	146,006
Profit for the year (restated)	–	–	5,061	5,061	–	5,061
Other comprehensive income						
Exchange differences arising on translation of foreign operations	–	(3,015)	–	(3,015)	–	(3,015)
Change in the fair value of equity investment at fair value through other comprehensive income	–	146	–	146	–	146
Total comprehensive income (restated)	–	(2,869)	5,061	2,192	–	2,192
Incorporation of a subsidiary	–	–	–	–	11,486	11,486
At 31 December 2022 and 1 January 2023 (restated)	4,687	193,669	(50,158)	148,198	11,486	159,684
Profit for the year	–	–	5,891	5,891	724	6,615
Other comprehensive income						
Exchange differences arising on translation of foreign operations	–	1,558	–	1,558	(4)	1,554
Remeasurement of long services payment liabilities	–	–	(29)	(29)	–	(29)
Total comprehensive income	–	1,558	5,862	7,420	720	8,140
Capital return to a non-controlling shareholder of a subsidiary	–	–	–	–	(11,104)	(11,104)
At 31 December 2023	4,687	195,227	(44,296)	155,618	1,102	156,720

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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.

These consolidated financial statements are presented in Hong Kong dollars (“**HK\$**”), unless otherwise stated.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of the material accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. These consolidated financial statements are for the Group consisting of CircuTech International Holdings Limited and its subsidiaries.

2.1 Basis of preparation

(i) Statement of compliance

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as “**HKFRSs**”) as issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. In addition, these consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on GEM of the Stock Exchange.

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets (including derivative instrument and financial asset at fair value through other comprehensive income) measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires the Group’s management to exercise its judgement in the process of applying the Group’s accounting policies.

2.2 Changes in accounting policies and disclosures

(a) *New and amended standards and interpretations as adopted by the Group from 1 January 2023*

The HKICPA has issued a number of amended HKFRSs that are first effective for the current accounting period of the Group:

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
HKFRS 17	Insurance Contract

Except for the below, the adoption of the above amendments did not have any significant impact on the Group's results and financial position for the current or prior periods. The Group has not early applied any new or amended HKFRSs that is not yet effective for the current accounting period.

Disclosure of Accounting Policies – Amendments to HKAS 1 and HKFRS Practice Statement 2

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

The amendments have had an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in its financial statements.

(b) *New Guidance on accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong issued by HKICPA*

In June 2022, Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") was enacted. The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory contributions under the mandatory provident fund ("**MPF**") to offset severance payment ("**SP**") and long service payments (the "**LSP**") (the "**Abolition**"). Subsequently, the Government of HKSAR announced that the Abolition will take effect on 1 May 2025 (the "**Transition Date**"). The following key changes will take effect since the Transition Date:

Accrued benefits derived from employers' mandatory MPF contributions cannot be used to offset the LSP/SP in respect of the employment period after the Transition Date.

The pre-transition LSP/SP is calculated using the last month's salary immediately preceding the Transition Date, instead of using the salary of employment termination date.

Due to the complexities of the accounting for the offsetting of accrued benefits derived from an employer's MPF contributions and its LSP obligation and the accounting for offsetting mechanism could become material in light of the Abolition, the HKICPA published 'Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong (the "Guidance")' in July 2023 to provide guidance to account for the offsetting mechanism and the Abolition. The HKICPA concluded that there are two acceptable accounting approaches for the offsetting mechanism, being:

Approach 1: Account for the amount expected to be offset as a deemed employee contribution towards that employee's LSP benefits in terms of HKAS 19.93(a)

Approach 2: Account for the employer MPF contributions and the offsetting mechanism as a funding mechanism for the LSP obligation

Since there is no specific guidance in HKAS 19 on the accounting of the interaction between the employer MPF contributions and entity's LSP obligation, the Group developed its own accounting policy on the offsetting mechanism in prior years. The Abolition has been considered and accounted for following the Group's accounting policy on the offsetting mechanism in 2022.

In prior years, the Group's LSP liability before the expected offsetting under the MPF-LSP offsetting mechanism was insignificant. After the Guidance is published which provides additional guidance on accounting for the offsetting mechanism, the Group has changed the accounting policy to account for the offsetting mechanism to Approach 1 indicated in the Guidance, to better reflect the substance that the employers' mandatory MPF contributions are deemed contributions by employee towards the LSP benefits. This is because the amount of LSP that an employer has to pay is net of the offsettable accrued benefits, but such offsettable accrued benefits have already been vested with the employees. In effect, an employee is required to use his own money (the vested MPF benefits) to fund a portion of his own LSP benefits. As such, the offsettable accrued benefits are regarded as a deemed employee contribution to the LSP benefits.

The Group has applied this voluntary change in accounting policy retrospectively.

The following table summarises the impacts of the adoption of the HKICPA guidance on the comparatives presented in the Group's consolidated statement of profit or loss and statement of financial position:

	As previously reported	Effect of adoption of the HKICPA guidance	As restated
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Consolidated statement of comprehensive income for year ended 31 December 2022:			
Administrative expenses	(14,181)	(378)	(14,559)
Profit before income tax	8,720	(378)	8,342
Income tax expenses	(3,299)	18	(3,281)
Profit for the year	5,421	(360)	5,061
Total comprehensive income for the year	2,552	(360)	2,192
Profit for the year attributable to owners of the Company	5,421	(360)	5,061
Total comprehensive income for the year attributable to owners of the Company	2,552	(360)	2,192
Earnings per share (HK cents per share)			
– Basic and diluted	23.13	(1.53)	21.60
Consolidated statement of financial position as at 31 December 2022:			
Tax payables	738	(18)	720
Total current liabilities	11,963	(18)	11,945
Total assets less current liabilities	161,422	18	161,440
Long services payment liabilities	–	378	378
Total non-current liabilities	1,378	378	1,756
Total liabilities	13,341	(360)	13,701
Accumulated losses	(49,798)	(360)	(50,158)
Capital and reserves attributable to owners of the Company	148,558	(360)	148,198
Total equity	160,044	(360)	159,684

The following table illustrates the amounts that would have been in the Group's consolidated statement of profit or loss for the year ended 31 December 2023 and the consolidated statement of financial position as at that date, if the Group had not changed its accounting policy as noted above and had continued to apply the practical expedient in paragraph 93(b) of HKAS 19:

	As reported	Backing out effect of adoption of the HKICPA guidance	If accounting policy had not been changed
	<i>\$'000</i>	<i>\$'000</i>	<i>\$'000</i>
Consolidated statement of comprehensive			
income for year ended 31 December 2023:			
Administrative expenses	(13,265)	55	(13,210)
Profit before income tax	7,602	55	7,657
Income tax expenses	(987)	(3)	(990)
Profit for the year	6,615	52	6,667
Remeasurement of Long services payment			
liabilities	(29)	29	–
Other comprehensive income for the year	1,525	29	1,554
Total comprehensive income for the year	8,140	81	8,221
Profit for the year attributable to owners of the Company	5,891	52	5,943
Total comprehensive income for the year attributable to owners of the Company	7,420	81	7,501
Earnings per share (HK cents per share)			
– Basic and diluted	25.14	0.22	25.36
Consolidated statement of financial position			
as at 31 December 2023:			
Tax payables	750	21	771
Total current liabilities	6,092	21	6,113
Total assets less current liabilities	157,282	(21)	157,261
Long services payment liabilities	462	(462)	–
Total non-current liabilities	562	(462)	100
Total liabilities	6,654	(441)	6,213
Accumulated losses	(44,296)	441	(43,855)
Capital and reserves attributable to owners of the Company	155,618	441	156,059
Total equity	156,720	441	157,161

(c) *New or amended HKFRSs that have been issued but are not yet effective*

The following new or amended HKFRSs, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKFRS 16	Lease Liabilities in a Sale and Leaseback ¹
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ²

¹ Effective for annual periods beginning on or after 1 January 2024.

² The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability and explain that rights are in existence if covenants are complied with at the end of the reporting period. The amendments also introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The Directors do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

Amendments to HKAS 7 and HKFRS 7, Supplier Finance Arrangements

The amendments clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. Early adoption is permitted, but will need to be disclosed.

The Directors do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

Amendments to HKFRS 16, Lease Liability in a Sale and Leaseback

The amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e. 1 January 2019). Earlier application is permitted.

The Directors do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The amendments clarify with situations where there is a sale or contribution of assets between an investor and its associate or joint venture. When the transaction with an associate or joint venture that is accounted for using the equity method, any gains or losses resulting from the loss of control of a subsidiary that does not contain a business are recognised in the profit or loss only to the extent of the unrelated investors' interests in that associate or joint venture. Similarly, any gains or losses resulting from the remeasurement of retained interest in any former subsidiary (that has become an associate or a joint venture) to fair value are recognised in the profit or loss only to the extent of the unrelated investors' interests in the new associate or joint venture.

The Directors do not anticipate that the application of these amendments in the future will have a material impact on the consolidated financial statements.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors (defined below) who make strategic decisions.

3 REVENUE AND SEGMENT INFORMATION

The Group derives the following types of revenue:

	2023	2022
	HK\$'000	HK\$'000
Sales and distribution of IT products	133,004	357,345
Repairs and service support	19,133	10,815
Total revenue	<u>152,137</u>	<u>368,160</u>

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.

The Executive Directors examine the Group’s performance from a product perspective, and have identified two reportable segments of the Group’s business:

- (i) Sales and distribution of IT products: this part of business segment designs, manufactures and markets video surveillance systems and distributes third-party IT products; and
- (ii) Repairs and service support: repairs, maintenance and other service support for electronic products are provided under this part of business segment.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

No sales between segments are carried out during the years ended 31 December 2023 and 2022. The revenue from external parties is measured in the same way as in the consolidated statement of comprehensive income.

Interest income from bank deposits, interest on lease liabilities and corporate expenses are not allocated to each segment, as these types of activities are driven by the central treasury function, which manages the cash position of the Group.

The segment information for the year ended and as at 31 December 2023 is as follows:

	For the year ended 31 December 2023		
	Sales and distribution of IT products HK\$'000	Repairs and service support HK\$'000	Total HK\$'000
Revenue from external customers	<u>133,004</u>	<u>19,133</u>	<u>152,137</u>
Time of revenue recognition			
– At a point in time	<u>133,004</u>	<u>19,133</u>	<u>152,137</u>
Segment profit	<u>4,338</u>	<u>3,074</u>	7,412
Interest income from bank deposits			2,955
Other income			4,766
Salaries, wages and other benefits			(3,541)
Depreciation charge			(674)
Fair value gain on derivative financial instrument			470
Finance costs			(114)
Unallocated corporate expenses (<i>Note</i>)			<u>(5,265)</u>
Operating profit			6,009
Share of net profit of an associate accounted for using the equity method			<u>1,593</u>
Profit before income tax			7,602
Income tax expenses			<u>(987)</u>
Profit for the year			<u>6,615</u>

For the year ended 31 December 2023

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	14	28	7	49
Depreciation of right-of-use assets	655	424	667	1,746
Net reversal of provision	(56)	(144)	–	(200)
Research and development expenditures	846	–	–	846
Additions to non-current assets	–	–	16	16
	<u>–</u>	<u>–</u>	<u>16</u>	<u>16</u>

As at 31 December 2023

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Reportable segment assets	38,055	1,626	39,681
Interest in an associate			9,670
Derivative financial instrument			9,128
Cash and cash equivalents			104,485
Unallocated corporate assets			<u>410</u>
Total assets per consolidated statement of financial position			<u><u>163,374</u></u>
Reportable segment liabilities	2,870	1,188	4,058
Tax payables			750
Unallocated corporate liabilities			<u>1,846</u>
Total liabilities per consolidated statement of financial position			<u><u>6,654</u></u>

The segment information for the year ended and as at 31 December 2022 is as follows:

	For the year ended 31 December 2022		
	Sales and distribution of IT products <i>HK\$'000</i> (restated)	Repairs and service support <i>HK\$'000</i> (restated)	Total <i>HK\$'000</i> (restated)
Revenue from external customers	<u>357,345</u>	<u>10,815</u>	<u>368,160</u>
Time of revenue recognition			
– At a point in time	357,345	10,371	367,716
– Over time	<u>–</u>	<u>444</u>	<u>444</u>
Segment profit	<u>8,977</u>	<u>2,447</u>	11,424
Interest income from bank deposits			652
Other income			3,056
Salaries, wages and other benefits			(2,674)
Depreciation charge			(1,137)
Fair value loss on derivative financial instrument			(1,010)
Finance costs			(108)
Unallocated corporate expenses (<i>Note</i>)			<u>(2,153)</u>
Operating profit			8,050
Share of net profit of an associate accounted for using the equity method			<u>292</u>
Profit before income tax			8,342
Income tax expenses			<u>(3,281)</u>
Profit for the year			<u>5,061</u>

For the year ended 31 December 2022

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Unallocated <i>HK\$'000</i>	Total <i>HK\$'000</i>
Depreciation of property, plant and equipment	60	–	1,137	1,197
Depreciation of right-of-use assets	702	650	–	1,352
(Net reversal of provision)/net provision for inventories	(33)	79	–	46
Write-off of inventories	9	–	–	9
Research and development expenditures	1,265	–	–	1,265
Additions to non-current assets	<u>1,310</u>	<u>3,021</u>	<u>–</u>	<u>4,331</u>

As at 31 December 2022

	Sales and distribution of IT products <i>HK\$'000</i> (restated)	Repairs and service support <i>HK\$'000</i> (restated)	Total <i>HK\$'000</i> (restated)
Reportable segment assets	15,171	3,219	18,390
Interest in an associate			6,053
Derivative financial instrument			8,120
Cash and cash equivalents			138,122
Unallocated corporate assets			<u>2,700</u>
Total assets per consolidated statement of financial position			<u><u>173,385</u></u>
Reportable segment liabilities	7,603	3,315	10,918
Tax payables			720
Unallocated corporate liabilities			<u>2,063</u>
Total liabilities per consolidated statement of financial position			<u><u>13,701</u></u>

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

The Group's business activities are conducted predominantly with customers in North America, Asia and Australia. The amount of its revenue from external customers broken down by location of the Group's customers and non-current assets based on countries where the Group's entities operate is shown in the table below.

	Revenue from		Non-current assets	
	external customers			
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Hong Kong	111,890	38,839	365	1,024
Japan	26,280	7,028	–	–
United States (the “US”)	6,106	207,417	–	–
Australia	5,606	7,164	458	884
Taiwan	22	74,070	4	18
Netherlands	16	31,250	–	–
Mainland China	–	4	–	1,412
Others	2,217	2,388	–	–
	<u>152,137</u>	<u>368,160</u>	<u>827</u>	<u>3,338</u>

The following external customers individually contribute over 10% of the Group’s total revenue and are attributable to the sales and distribution of IT products segment:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	76,210	–
Customer B	–	102,241
Customer C	–	47,008
Customer D	–	46,609
Customer E	–	39,126
	<u>–</u>	<u>39,126</u>

(a) Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities related to sales and distribution of IT products	<u>242</u>	<u>3,479</u>

Contract liabilities represent advance payments received from customers for goods that have not yet been delivered to the customers. As at 31 December 2023 and 2022, the contract liabilities mainly included the advance payments received from individual customers for sales of IT products after the end of respective reporting period. The contract liabilities are expected to be recognised as revenue within one year from date of inception of respective contracts.

(b) Revenue recognised in relation to contract liabilities

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Balance as at 1 January	3,479	1,426
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	(3,479)	(1,426)
Increase in contract liabilities as a result of advance payments received	<u>242</u>	<u>3,479</u>
Balance as at 31 December	<u><u>242</u></u>	<u><u>3,479</u></u>

The Group's sales contracts generally have an original expected duration of one year or less and accordingly, the Group has applied the practical expedient in HKFRS 15 not to disclose the transaction price allocated to the remaining performance obligations for the contracts existed at the end of the reporting period that has an original expected duration of one year or less.

4 OTHER INCOME

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Rental income	2,400	2,400
Interest income from bank deposits	2,955	652
Reversal of impairment loss in an associate	1,639	–
Government subsidy	–	359
Others	<u>644</u>	<u>530</u>
	<u><u>7,638</u></u>	<u><u>3,941</u></u>

5 EXPENSES BY NATURE

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Auditors' remuneration		
– Audit services	750	700
– Non-audit services	100	100
Cost of inventories sold	134,510	337,347
Depreciation charge		
– Property, plant and equipment	49	1,197
– Right-of-use-assets included within:		
– Leasehold land and buildings	1,746	1,297
– Motor vehicles	–	55
Employee benefits expenses, including directors' emoluments	11,373	12,605
Gain on modification of lease	(46)	(9)
Net foreign exchange gain	887	(445)
Impairment loss on interest in an associate	–	275
Net (reversal)/provision for inventories (included in cost of sales)	(200)	46
Write-off of inventories	–	9
	<u> </u>	<u> </u>

6 INCOME TAX EXPENSES

Hong Kong profits tax is calculated at 16.5% on the estimated assessable profits for the year ended 31 December 2023 (2022: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tier profits tax 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 profit has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the countries/places in which the Group operates. In 2023, Australia income tax expense was calculated at applicable rate of 30% (2022: 30%), Japan income tax expense was calculated at applicable rate of 23.2% (2022: 23.2%), Taiwan income tax expense is calculated at 20% (2022: 20%), and US income tax expense is calculated at 21% (2022: 21%).

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i> (restated)
Current tax		
– Tax for the year	1,018	3,236
– (Over)/under provision in respect of prior year	(31)	45
	<u> </u>	<u> </u>
	<u>987</u>	<u>3,281</u>

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the primary tax rate of 16.5% (2022: 16.5%) applicable to profit of the majority of the consolidated entities as follows:

	2023 HK\$'000	2022 HK\$'000 (restated)
Profit before income tax	<u>7,602</u>	<u>8,342</u>
Tax at the Hong Kong tax rate of 16.5% (2022: 16.5%)	1,254	1,376
Tax effects of:		
– Income not subject to tax	(835)	(108)
– Associate's result reported net of tax	(262)	(48)
– Expenses not deductible for tax purposes	849	961
– Difference in overseas tax rates	219	871
– Tax effect of tax losses not recognised	225	393
– Utilisation of previously unrecognised tax losses	(432)	(209)
– (Over)/under provision in respect of prior year	<u>(31)</u>	<u>45</u>
Income tax expenses	<u>987</u>	<u>3,281</u>

7 EARNINGS PER SHARE

7.1 Basic earnings per share

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

	2023 HK\$'000	2022 HK\$'000 (restated)
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	5,891	5,061
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share ('000)	23,434	23,434
Basic earnings per share attributable to the ordinary equity holders of the Company (HK cents per share)	<u>25.14</u>	<u>21.60</u>

7.2 Diluted earnings per share

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding during the year (2022: same).

8 DIVIDENDS

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

9 TRADE AND OTHER RECEIVABLES

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Trade receivables	26,789	6,656
Deposits and other receivables	<u>9,317</u>	<u>4,121</u>
Financial assets at amortised cost	36,106	10,777
Prepayments and other tax receivables	<u>999</u>	<u>3,815</u>
Total trade and other receivables	<u><u>37,105</u></u>	<u><u>14,592</u></u>

The credit terms generally range from 15 to 90 days. At 31 December 2023 and 2022, the ageing analysis of the trade receivables based on invoice date were as follows:

	2023 <i>HK\$'000</i>	2022 <i>HK\$'000</i>
Within 1 month	26,750	6,630
2 to 3 months	<u>39</u>	<u>26</u>
	<u><u>26,789</u></u>	<u><u>6,656</u></u>

(a) Impaired trade receivables

Individual receivables which are known to be uncollectible are written off by reducing the carrying amount directly.

In addition, the Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables.

Impairment losses and subsequent recoveries of amounts previously written off are recognised in statement of comprehensive income within “administrative expenses”.

Amounts recognised in profit or loss

During the year, no provision or reversal of provision for impairment of trade receivables was recognised in the profit or loss (2022: Nil).

(b) Fair value of trade and other receivables

Due to the short-term nature of the current receivables, their carrying amount is considered to be the same as their fair value.

10 TRADE AND OTHER PAYABLES

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	1,332	1,536
Deposit received	710	709
Other tax payables	199	994
Accruals and other payables	2,126	2,512
	<hr/> 4,367 <hr/>	<hr/> 5,751 <hr/>

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature. At 31 December 2023 and 2022, the ageing analysis of the trade payables based on invoice date were as follows:

	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	1,285	1,536
2 to 3 months	47	–
	<hr/> 1,332 <hr/>	<hr/> 1,536 <hr/>

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.

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 North America, Asia and Australia.

The global secondary IT products market experienced a significant increase in both demand and supply in 2023. A growing number of consumers opted for refurbished IT products, which are more affordable and environmentally friendly. Additionally, the heightened focus on the circular economy and sustainability led to the increased awareness of refurbished products in recent years. As a result, consumers became more familiar with the advantages of choosing pre-owned devices and were exposed to their numerous benefits.

The sales and distribution of video surveillance systems is highly competitive, in particular, the Group directly and indirectly competes with large global vendors in form of pricing, range of services provided and information technology.

The Group possesses several advantages that enable it to effectively compete with other global distributors. These advantages include the expertise and proven track record of its management team, as well as its affiliation with the Foxconn Technology Group, a widely recognised and globally respected entity that maintains strong business relationships with numerous international brands. To optimise its financial performance, the Group will persist in managing its tied-up working capital by enhancing inventory turnover days and mitigating inventory risk, ultimately aiming to shorten the cash conversion cycle.

Throughout the year, the Group engaged in a continuous evaluation and reassessment of its business model, striving to enhance efficiency and achieve a higher profit margin. Furthermore, the Group remains vigilant in closely monitoring market conditions, enabling it to make necessary adjustments to its strategies and operations as required.

Provision of repairs and other service support of IT products

During the year 2023, the Group has made strategic plan to diversify our business segments and focus on developing the repairs and service support segment. The Group provides full range of after-sales maintenance services for third-party IT products as well as video surveillance products with our own brand name.

During the year, the Group entered into a service framework agreement with the Company's controlling shareholders for outsourcing its repair business workflow, including but not limited to maintenance and value-added services (including checking, maintenance, assembly, testing, packaging, warehousing, logistic, related custom declaration services and sourcing of required material) for electronic products (including but not limited to mobile phone, mobile phone display, and Bluetooth earpieces). This arrangement can broaden range of the Group's repair services business and increase its revenue sources.

Segment information by business line

During the year ended 31 December 2023, the revenue from sales and distribution of IT products continued to be the largest source of income which accounted for approximately 87.4% (2022: approximately 97.1%) of the total revenue of the Group. Revenue from sales and distribution of IT products is generated from sales and distribution of third-party IT products and video surveillance products carrying our own brand name.

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Sales and distribution of IT products	133,004	357,345
Repairs and service support	<u>19,133</u>	<u>10,815</u>
Total revenue	<u>152,137</u>	<u>368,160</u>

The revenue generated from repairs and service support increased from approximately HK\$10,815,000 for the year ended 31 December 2022 to approximately HK\$19,133,000 for the year ended 31 December 2023. The increase in revenue from this segment was mainly due to the expanded service support of electronic products in addition to video surveillance products carrying our own brand name.

Segment information by geographical location

	Year ended 31 December	
	2023	2022
	HK\$'000	HK\$'000
Hong Kong	111,890	38,839
Japan	26,280	7,028
United States	6,106	207,417
Australia	5,606	7,164
Taiwan	22	74,070
Netherlands	16	31,250
Mainland China	–	4
Others	2,217	2,388
Total revenue	152,137	368,160

During the year ended 31 December 2023, Hong Kong, Japan and the United States became the top three markets of the Group in terms of their respective contribution to the revenue of the Group. The Hong Kong market was the largest market and contributed approximately 73.5% (2022: approximately 10.5%) of the Group's total revenue for the year ended 31 December 2023. The Japan market contributed approximately 17.3% (2022: approximately 1.9%) and the United States market contributed approximately 4.0% (2022: approximately 56.3%) of the Group's total revenue for the year ended 31 December 2023. The Australia market remained relatively steadily during the year and contributed approximately 3.7% (2022: approximately 1.9%) of the Group's total revenue for the year ended 31 December 2023. There was a significant change in market development in Taiwan and Netherlands markets, which contributed approximately 0.0% and 0.0% respectively (2022: approximately 20.1% and 8.5%) of the Group's total revenue for the year ended 31 December 2023. The change in the composition of the revenue was due to the change of product mix driven by the demand and supply of the IT products in each of the geographical locations.

PRODUCT DEVELOPMENT

Building upon the experience of the management team in international distribution, the Group has further expanded its consumer electronics product offering in multi-jurisdictions that are complementary to its current business offering. 3C Products are mainly used and refurbished units. Through the Group's international distribution channels, the Group extends the 3C Products useful life in the post-sales circular economy.

The Group also launched several new products, including accessories for license plate recognition system including display boards, lighting and various mountings, 30x zoom high speed dome with object tracking capabilities and upgrades of the existing central alarm surveillance systems.

BUSINESS RISK RELATING TO THE GROUP

The Group may not be able to keep up with technological changes in the video surveillance industry in order to remain competitive

The Group has continuously invested in research and development to develop updates and new products in order to maintain the Group's competitive edge in the market. The performance of the Group depends on the Group's ability to develop updates to its existing products and to develop new products, which in turn is determined by the Group's research efforts to develop technologies which keep up with the latest technological trends in the industry and the Group's timely recruitment of personnel with the relevant skills. The effect of emerging and future technological changes in relation to product specifications to the Group's research and development plans or the level of technologies is unpredictable.

In addition, our competitors may develop technologies and products that are superior to ours in terms of quality and/or price. Failure to respond to the technological developments and maintain or enhance our competitiveness within the industry or maintain our customer base may result in decrease in profit margins and loss of market share, and our financial performance and profitability may be adversely affected.

The Group's insurance may be insufficient to cover all losses associated with its business operations

The Group maintains insurance policies against loss or damage to its office and business interruption, public liability and employees' compensation. The insurance coverage may be insufficient to cover all the risks associated with the Group's business and operations in the future. In the case of an uninsured loss or a loss in excess of insured limit, including those caused by natural disasters and other events beyond the Group's control, the Group may be required to pay for losses, damages and liabilities out of its own funds, which could materially and adversely affect its business, financial conditions and results of operations. Even if the insurance coverage is adequate to cover its direct losses, the Group may need to be responsible for the indirect losses. Furthermore, claim records of the Group may affect the premiums which insurance companies charge in the future.

Despite of the above, the Group considers that the current insurance coverage is sufficient for its existing operation scale and the Group will review its insurance policies from time to time.

BUSINESS OUTLOOK

The Group's operations encompass two distinct business segments, namely, the sales and distribution of IT products and the provision of repairs and other services to support IT products. With a strategic and methodical approach, the Group executed a planned process to enhance and fortify its repairs and service support segment, aiming to improve profitability and the return on capital employed.

Simultaneously, the Group made adjustments to its business model for the sales and distribution segment, focusing on distributing IT products with higher gross margins to enhance overall liquidity.

Looking ahead, the management intends to allocate additional resources to further develop the repairs and service support segment of the Group. Additionally, the Group will actively explore suitable investment opportunities within the realm of the "Circular Economy," aligning with our commitment to sustainability and responsible business practices to foster "Green Technology".

FINANCIAL REVIEW

Revenue

The Group mainly engages in two business segments, namely, (i) sales and distribution of IT products; and (ii) repairs and service support. The Group's total revenue amounted to approximately HK\$152,137,000 for the year ended 31 December 2023, representing a decrease of approximately 58.7% as compared to that of approximately HK\$368,160,000 for the year ended 31 December 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.

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 year ended 31 December 2023 decreased to approximately HK\$138,346,000, representing a decrease of approximately 59.5%, as compared to that of approximately HK\$341,591,000 for the year ended 31 December 2022. There was a net reversal of provision of inventories (included in the cost of sales) amounting to approximately HK\$200,000 as compared to a net inventory provision of approximately HK\$46,000 for the year ended 31 December 2022 to account for the decrease in slow-moving inventories during the year.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$12,778,000 to approximately HK\$13,791,000 for the year ended 31 December 2023 (2022: approximately HK\$26,569,000), which was in line with the decrease in business volume. The overall gross profit margin increased from approximately 7.2% for the year ended 31 December 2022 to approximately 9.1% for the year ended 31 December 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 costs

The Group managed to cut its selling and distribution costs by approximately 69.8% for the year. Selling and distribution expenses decreased to approximately HK\$1,665,000 for the year ended 31 December 2023 (2022: approximately HK\$5,518,000). A major component of the selling and distribution costs was staff costs, take-back and data wiping cost for used devices and warehousing charges. During the year, the Group has re-designed its business model for the sales and distribution business to improve efficiency and to save staff costs and devices take-back and data wiping cost.

Administrative expenses

During the year ended 31 December 2023, administrative expenses decreased by approximately 8.9% from approximately HK\$14,559,000 to approximately HK\$13,265,000. With improvements in operating efficiencies and rigorous financial policy, the Group has been able to keep its administrative expenses reasonably low.

Net profit for the year

Despite the decrease in total revenue, the Group generated more profit during the year. The Group recorded a net profit of approximately HK\$6,615,000 for the year ended 31 December 2023, representing an increase of approximately 30.7% or HK\$1,554,000 when compared to approximately HK\$5,061,000 recorded during the year ended 31 December 2022 as a result of the improved operation efficiency and decrease in selling and distribution and administrative expenses as well as the increase in share of net profit of an associate accounted for using the equity method.

Basic earnings per share increased to approximately HK25.14 cents in 2023, compared with approximately HK21.60 cents in 2022.

Inventories and trade receivables

As at 31 December 2023, the inventory level decreased to approximately HK\$562,000 (31 December 2022: approximately HK\$1,563,000). The significant reduction in inventory balance was attributable to strengthened inventory management through reducing the inventory turnover days, which helps to release investment capital and reduces warehousing costs. The Group will continue to monitor the inventory level and reduce the inventory risk, with an aim to shorten the cash conversion cycle.

Trade receivables increased significantly to approximately HK\$26,789,000 as at 31 December 2023 (31 December 2022: approximately HK\$6,656,000). Such increase in trade receivables was attributable to the additional credit limits granted to the Group's loyal customers after proven sound repayment record. During the year, 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 annual results announcement as they constitute a material financial impact on the consolidated financial statements of the Group for the current financial year and/or the previous financial year, 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 year by presenting the changes of these financial data.

DIVIDENDS

The Board does not recommend the payment of a final dividend for FY2023 (2022: Nil).

DIVIDEND POLICY

The Company does not have a policy to distribute dividends in a fixed amount or based on a fixed payout ratio. The Company's dividend policy is to consider, the following factors before declaring or recommending dividends:

- the general financial condition of the Group;
- the Group's actual and future operations and liquidity position;
- the Group's expected working capital requirements and future expansion plans;
- the Group's debt to equity ratios and the debt level;

- the restrictions on payment of dividends that may be imposed by the Group’s lenders (if any);
- the retained earnings and distributable reserves of the Company and each of the members of the Group;
- the general market conditions; and
- any other factors that the Board deems appropriate.

Declaration of dividend by the Company is also subject to any restrictions under the laws of Cayman Islands, the memorandum and articles of association of the Company and any applicable laws, rules and regulations.

EMPLOYEE AND REMUNERATION POLICY

As at 31 December 2023, the Group employed 18 (31 December 2022: 17) employees in Hong Kong and 14 (31 December 2022: 15) employees in the People’s Republic of China and overseas offices. The staff costs of the Group, including Directors’ emoluments, employees’ salaries and commissions, retirement benefit scheme contributions and other benefits amounted to approximately HK\$11,373,000 for the year ended 31 December 2023 (2022: approximately HK\$12,605,000).

Employees are remunerated in accordance with individual’s responsibility and performance, also taking into account the prevailing market rates to ensure competitiveness. Other fringe benefits such as medical insurance, retirement benefits and discretionary bonus are offered to all employees.

The Group provides training programmes for staff professional development so that the employees are better equipped and work efficiently which are favourable to the long-term development of the Group. Training programmes are classified into two types based on target and purpose: internal training and external training. For example, external training programmes related to Dangerous Goods Regulations are attended by our employees who need to deal with those IT products that should be handled with care. Whereas for internal training, the Company organises team building activities and workshops regularly in the Hong Kong office in order to enhance team spirit. The Group supports staff training programmes by offering employees to attend continuing professional development and training courses during working days and training sponsorship.

A share option scheme was approved and adopted at the annual general meeting of the Company on 11 November 2016.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the year ended 31 December 2023, the Group financed its daily operations with internally generated resources. As at 31 December 2023, the Group had net current assets of approximately HK\$136,060,000 (31 December 2022: approximately HK\$142,332,000) and cash and cash equivalents of approximately HK\$104,485,000 (31 December 2022: approximately HK\$138,122,000). The Group had no borrowings outstanding as at 31 December 2023.

As at 31 December 2023, the gearing ratio, which is calculated on the basis of total debts over total equity of the Group, was approximately 4.2% (2022: approximately 8.6%).

CAPITAL STRUCTURE

As at 31 December 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\$0.20 each, of which 23,433,783 shares of the Company were in issue. No convertible securities options, warrants or similar rights by the Company or its subsidiaries were outstanding during the year.

The Group did not have any borrowings during FY2023.

SIGNIFICANT INVESTMENT

During FY2023, the Group held 21% interest in 4Square Return GmbH (“4Square”), which was classified as the Group’s interest in an associate in the consolidated statement of financial position. As disclosed in the announcement of the Company dated 4 June 2018, the Group acquired 2 shares in 4Square which represent 21% of the entire issued share capital of 4Square at a consideration of EUR1,600,000 (equivalent to approximately HK\$14,508,000). The carrying amount of the Group’s interest in 4Square was approximately HK\$9,670,000 as at 31 December 2023, which represents approximately 5.9% of the total consolidated assets of the Group as at 31 December 2023. 4Square is principally engaged in businesses including compliance consulting and the provision of take back services etc. While no dividend was declared by 4Square during FY2023, a profit of approximately HK\$1,593,000 representing the Group’s share of results of 4Square was recorded in the consolidated financial statements of the Group for the year ended 31 December 2023.

Save as disclosed, the Group did not hold any significant investments during FY2023.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies for FY2023.

CHARGE OF ASSETS

As at 31 December 2023, no assets of the Group were pledged as collaterals.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

To continue executing its investment plan of augmenting its international distribution and fulfilment capabilities, the Group may, depending on circumstances and market conditions, consider the need for fundraising and/or financing from time to time in order to strengthen its human resources, plant and equipment and working capital. This will enable the Group to not only serve the distribution and fulfilment requirements of its own products, but also acquire the capabilities to support strategic third-party business partners with innovative revenue models with a view to delivering enhanced value to the shareholders of the Company (the “**Shareholder(s)**”).

In addition, to accelerate the Group’s capabilities to offer innovative revenue models in relation to IT hardware distribution and fulfilment support, the Board may contemplate selective strategic investments by means of stock and/or cash when suitable opportunities arise.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, Japan, Taiwan, US and Europe with most of the transactions settled in HK\$, United States dollars (“**USD**”) and Euro. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to USD and Euro. The management of the Group has formulated a policy to manage the foreign exchange risk against the functional currencies of the Group. It mainly includes managing the foreign exchange risk by performing regular reviews of the Group’s net foreign exchange exposures and would consider the use of foreign exchange contracts to manage foreign exchange risks, where appropriate. The Group did not enter into any foreign currency derivative financial instruments for FY2023. The Group did not use any financial instruments for hedging purposes during FY2023 (2022: Nil).

CONTINGENT LIABILITIES

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

COMPETING BUSINESS

For FY2023, none of the Directors, controlling shareholder of the Company or their respective close associates (as defined in the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”)) has any interests in a business that competes or may compete either directly or indirectly with the business of the Group.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

The Group had no significant event subsequent to FY2023.

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

During FY2023, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

CORPORATE GOVERNANCE CODE

The Board and senior management of the Company commit to achieve a high standard of corporate governance, to maintain good corporate governance practice for improvement of accountability and transparency in operations and to strengthen the internal control and risk management systems from time to time so as to protect the rights of the Shareholders and enhance Shareholder value. The Company has adopted the principles and the code provisions in the Corporate Governance Code as set out in Part 2 of Appendix 15 (renamed as Appendix C1 with effect from 31 December 2023) to the GEM Listing Rules (the “**Corporate Governance Code**”) as its own code of corporate governance. During FY2023, the Company had complied with the code provisions set out in Part 2 of the Corporate Governance Code.

DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors 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 for FY2023, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

AUDIT COMMITTEE

The audit committee of the Company (“**Audit Committee**”) has adopted written terms of reference in compliance with code provision D.3.3. of the Corporate Governance Code.

During FY2023, members of the Audit Committee were Mr. Li Robin Kit Ling (chairman), Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben, all of whom are independent non-executive Directors. At the discretion of the Audit Committee, executive Directors and/or senior management personnel overseeing the Group's finance may be invited to attend meetings of the Audit Committee. The Audit Committee normally meets two times a year and also meets the external auditors twice without the presence of the executive Directors.

The duties of the Audit Committee include, among other things, reviewing and monitoring the financial and internal control systems, risk management system, audit plan and relationship with external auditors, arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, and internal control or other matters of the Company. The Audit Committee is responsible for reviewing the truth and fairness of the Company's financial statements, annual report, interim report and quarterly reports, discusses with the external auditors the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditors during and after completion of the audit. The Audit Committee conducts an assessment, at least annually, of the effectiveness of the Group's internal control and financial controls system, risk management system, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties. This allows the Board to monitor the Group's overall financial position and to protect its assets. The chairman of the Audit Committee summarises activities of the Audit Committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

The external auditors perform independent statutory audit on the Group's financial statements and as part of the audit engagement, report to the Audit Committee any significant deficiencies (if any) in the Group's internal control system which might come to their attention during the course of audit.

During the year, the Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2022, quarterly results of the Group for three months ended 31 March 2023, interim results of the Group for six months ended 30 June 2023 and quarterly results of the Group for nine months ended 30 September 2023, including the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of changes in equity and related notes thereto. The Audit Committee also has reviewed the risk management and internal control systems.

The audited consolidated financial statements of the Group for FY2023 have been reviewed by the Audit Committee.

FIGURES IN THIS ANNUAL RESULTS ANNOUNCEMENT AGREED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and consolidated statement of changes in equity and the related notes thereto for FY2023 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

By order of the Board

CircuTech International Holdings Limited

Mr. Chang Chuan-Wang

Chairman

Hong Kong, 12 March 2024

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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company and its subsidiaries. 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.

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.