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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 2021

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 “**Directors**”) 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 2021 (“**FY2021**”), together with the audited comparative figures for the year ended 31 December 2020 (“**FY2020**”) as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
	Notes	2021 HK\$'000	2020 HK\$'000
Revenue	3	349,870	372,959
Cost of sales		(324,322)	(342,055)
Gross profit		25,548	30,904
Other income	4	3,259	5,018
Selling and distribution costs		(9,171)	(6,397)
Administrative expenses		(14,870)	(17,612)
Research and development expenditures		(1,370)	(1,628)
Share of net profit of an associate accounted for using the equity method		673	726
Finance costs		(63)	(46)
Profit before income tax		4,006	10,965
Income tax expenses	6	(1,774)	(1,968)
Profit for the year		2,232	8,997
Other comprehensive income for the year:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(1,471)	2,591
<i>Item that will not be reclassified to profit or loss</i>			
Changes in the fair value of equity investments at fair value through other comprehensive income		(6)	(54)
		(1,477)	2,537
Total comprehensive income for the year		755	11,534
Profit for the year attributable to:			
– Owners of the Company		2,232	8,997
– Non-controlling interests		–	–
		2,232	8,997
Total comprehensive income for the year attributable to:			
– Owners of the Company		755	11,512
– Non-controlling interests		–	22
		755	11,534
Earnings per share attributable to owners of the Company (<i>HK cents per share</i>)			
– Basic and diluted	7	9.52	38.39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2021	2020
	Notes	HK\$'000	HK\$'000
Assets			
Non-current assets			
Property, plant and equipment		1,268	3,643
Right-of-use assets		690	1,055
Interest in an associate		7,537	7,378
Derivative financial instrument		9,972	9,917
Financial asset at fair value through other comprehensive income		1,451	1,457
		<u>20,918</u>	<u>23,450</u>
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Current assets			
Inventories		55,525	32,256
Trade and other receivables	9	17,461	2,647
Restricted bank deposits		31,194	31,220
Cash and cash equivalents		98,850	104,695
		<u>203,030</u>	<u>170,818</u>
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Total assets		<u><u>223,948</u></u>	<u><u>194,268</u></u>
Equity			
Share capital		4,687	4,687
Other reserves		196,538	198,015
Accumulated losses		(55,219)	(57,451)
		<u>146,006</u>	<u>145,251</u>
Liabilities			
Current liabilities			
Trade and other payables	10	73,003	46,142
Lease liabilities		545	721
Contract liabilities		1,426	24
Tax payables		2,790	1,754
		<u>77,764</u>	<u>48,641</u>
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Total assets less current liabilities		<u>146,184</u>	<u>145,627</u>
Non-current liabilities			
Lease liabilities		178	376
		<u>77,942</u>	<u>49,017</u>
		-----	-----
Total liabilities		<u><u>77,942</u></u>	<u><u>49,017</u></u>
Total equity and liabilities		<u><u>223,948</u></u>	<u><u>194,268</u></u>
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	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 2020	4,687	195,621	(66,448)	133,860	(495)	133,365
Profit for the year	–	–	8,997	8,997	–	8,997
Other comprehensive income						
Exchange differences on translation of foreign operations	–	2,569	–	2,569	22	2,591
Change in the fair value of equity investments at fair value through other comprehensive income	–	(54)	–	(54)	–	(54)
Total comprehensive income	–	2,515	8,997	11,512	22	11,534
Deregistration of a subsidiary	–	(121)	–	(121)	473	352
At 31 December 2020 and 1 January 2021	4,687	198,015	(57,451)	145,251	–	145,251
Profit for the year	–	–	2,232	2,232	–	2,232
Other comprehensive income						
Exchange differences on translation of foreign operations	–	(1,471)	–	(1,471)	–	(1,471)
Change in the fair value of equity investments at fair value through other comprehensive income	–	(6)	–	(6)	–	(6)
Total comprehensive income	–	(1,477)	2,232	755	–	755
At 31 December 2021	4,687	196,538	(55,219)	146,006	–	146,006

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 SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant 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 all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations (hereinafter collectively referred to as the “**HKFRSs**”) 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 instruments 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 management to exercise its judgement in the process of applying the Group’s accounting policies.

2.2 Changes in accounting policies and disclosures

(a) *Amended standards as adopted by the Group*

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

Amendment to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 39, HKFRS 4, HKFRS 7, HKFRS 9 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

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.

(b) *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 HKFRS 16, Covid-19-Related Rent Concessions beyond 2021 (amendments) ²
Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause ³
Amendments to HKAS 16, Proceeds before Intended Use ¹
Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract ¹
HKFRS 17, Insurance Contracts ³
Amendments to HKFRS 3, Reference to the Conceptual Framework ¹
Amendments to HKAS 1 and HKFRS Practice Statement 2, Disclosure of Accounting Policies ³
Amendments to HKAS 8, Definition of Accounting Estimates ³
Amendments to HKAS 12, Deferred tax related to Assets and Liabilities arising from a Single Transaction ³
Amendments to HKFRS 10 and HKAS 28, Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ⁴
Annual Improvements to HKFRSs 2018-2020 ¹

¹ Effective for annual periods beginning on or after 1 January 2022.

² Accounting periods beginning on or after 1 April 2021. Earlier adoption is permitted.

³ Effective for annual periods beginning on or after 1 January 2023.

⁴ No mandatory effective date yet determined but available for early adoption.

Amendments to HKFRS 16, Covid-19-Related Rent Concessions beyond 2021

The 2021 Amendment to HKFRS 16 extends the availability of the practical expedient in paragraph 46A of HKFRS 16 so that it applies to rent concessions for which any reduction in lease payments affects only payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the Group's consolidated financial statements.

Amendments to HKAS 1, Classification of Liabilities as Current or Non-current and HK Interpretation 5 (2020), Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

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.

HK Int 5 (2020) was revised as a consequence of the Amendments to HKAS 1 issued in August 2020. The revision to HK Int 5 (2020) updates the wordings in the interpretation to align with the Amendments to HKAS 1 with no change in conclusion and do not change the existing requirements.

The directors of the Company do not anticipate that the application of the amendments and revision in the future will have an impact on the financial statements.

Amendments to HKAS 16, Proceeds before Intended Use

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items, and the cost of producing those items, is recognised in profit or loss.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group's consolidated financial statements.

Amendments to HKAS 37, Onerous Contracts – Cost of Fulfilling a Contract

The amendments specify that the ‘cost of fulfilling’ a contract comprises the ‘costs that relate directly to the contract’. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (e.g. direct labour and materials) or an allocation of other costs that relate directly to fulfilling contracts (e.g. the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

The directors of the Company is currently assessing the impact that the application of the amendments will have on the Group’s consolidated financial statements.

HKFRS 17, Insurance Contracts

The new standard establishes the principles for the recognition, measurement, presentation and disclosure of insurance contracts and supersedes HKFRS 4, Insurance Contracts. The standard outlines a ‘General Model’, which is modified for insurance contracts with direct participation features, described as the ‘Variable Fee Approach’. The General Model is simplified if certain criteria are met by measuring the liability for remaining coverage using the Premium Allocation Approach.

The directors of the Company do not anticipate that the application of this standard in the future will have an impact on the financial statements.

Amendments to HKFRS 3, Reference to the Conceptual Framework

The amendments update HKFRS 3 so that it refers to the revised Conceptual Framework for Financial Reporting 2018 instead of the version issued in 2010. The amendments add to HKFRS 3 a requirement that, for obligations within the scope of HKAS 37, an acquirer applies HKAS 37 to determine whether at the acquisition date a present obligation exists as a result of past events. For a levy that would be within the scope of HK(IFRIC)-Int 21 Levies, the acquirer applies HK(IFRIC)-Int 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also add an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

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

The amendments to Disclosure of Accounting Policies require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that their primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 8, Definition of Accounting Estimates

The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the financial statements.

Amendments to HKAS 12, Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the initial recognition exception so that it does not apply to transactions that give rise to equal and offsetting temporary differences. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the 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 of the Company is currently assessing the impact that the application of these amendments will have on the financial statements.

Annual Improvements to HKFRSs 2018-2020

The Annual Improvements to HKFRSs 2018-2020 amends a number of standards, including:

- HKFRS 1, First-time Adoption of Hong Kong Financial Reporting Standards, which permit a subsidiary that applies paragraph D16(a) of HKFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to HKFRSs.
- HKFRS 9, Financial Instruments, which clarify the fees included in the '10 per cent' test in paragraph B3.3.6 of HKFRS 9 in assessing whether to derecognise a financial liability, explaining that only fees paid or received between the entity and the lender, including fees paid or received by either the entity or the lender on other's behalf are included.
- HKFRS 16, Leases, which amend Illustrative Example 13 to remove the illustration of reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- HKAS 41, Agriculture, which remove the requirement to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

The directors of the Company do not anticipate that the application of the amendments in the future will have an impact on the 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 who make strategic decisions.

3 REVENUE AND SEGMENT INFORMATION

The Group derives the following types of revenue:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Sales and distribution of IT products	345,129	372,643
Repairs and service support	<u>4,741</u>	<u>316</u>
Total revenue	<u><u>349,870</u></u>	<u><u>372,959</u></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 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.

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 2021 and 2020. 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 segments, 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 2021 is as follows:

	Sales and distribution of IT products HK\$'000	Repairs and service support HK\$'000	Total HK\$'000
Revenue from external customers	<u>345,129</u>	<u>4,741</u>	<u>349,870</u>
Time of revenue recognition			
– At a point in time	345,129	4,344	349,473
– Over time	<u>–</u>	<u>397</u>	<u>397</u>
Segment profit	<u>5,311</u>	<u>1,994</u>	7,305
Interest income from bank deposits			39
Interest expenses			(63)
Salaries, wages and other benefits			(2,175)
Unallocated corporate expenses (<i>Note</i>)			<u>(1,773)</u>
Operating profit			3,333
Share of net profit of an associate accounted for using the equity method			<u>673</u>
Profit before income tax			4,006
Income tax expenses			<u>(1,774)</u>
Profit for the year			<u>2,232</u>

For the year ended 31 December 2021

	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	42	–	2,339	2,381
Depreciation of right-of-use assets	–	–	882	882
Provision for inventories	370	–	–	370
Write-off of inventories	2	–	–	2
Research and development expenditures	1,370	–	–	1,370
Additions to non-current assets	<u>35</u>	<u>13</u>	<u>542</u>	<u>590</u>

	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	72,078	2,278	74,356
Interest in an associate			7,537
Derivative financial instrument			9,972
Restricted bank deposits			31,194
Cash and cash equivalents			98,850
Unallocated corporate assets			<u>2,039</u>
Total assets per consolidated statement of financial position			<u><u>223,948</u></u>
Reportable segment liabilities	72,687	721	73,408
Tax payables			2,790
Unallocated corporate liabilities			<u>1,744</u>
Total liabilities per consolidated statement of financial position			<u><u>77,942</u></u>

The segment information for the year ended and as at 31 December 2020 is as follows:

	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>372,643</u>	<u>316</u>	<u>372,959</u>
Time of revenue recognition			
– At a point in time	372,643	21	372,664
– Over time	<u>–</u>	<u>295</u>	<u>295</u>
Segment profit	<u>14,455</u>	<u>60</u>	14,515
Interest income from bank deposits			378
Interest expenses			(46)
Salaries, wages and other benefits			(2,630)
Unallocated corporate expenses (<i>Note</i>)			<u>(1,978)</u>
Operating profit			10,239
Share of net profit of an associate accounted for using the equity method			<u>726</u>
Profit before income tax			10,965
Income tax expenses			<u>(1,968)</u>
Profit for the year			<u>8,997</u>

For the year ended 31 December 2020

	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	23	–	2,357	2,380
Depreciation of right-of-use assets	–	–	1,073	1,073
Net provision for inventories	1,478	–	–	1,478
Write-off of inventories	133	–	–	133
Research and development expenditures	1,628	–	–	1,628
Additions to non-current assets	<u>155</u>	<u>67</u>	<u>1,394</u>	<u>1,616</u>

	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	34,060	–	34,060
Interest in an associate			7,378
Derivative financial instrument			9,917
Restricted bank deposits			31,220
Cash and cash equivalents			104,695
Unallocated corporate assets			<u>6,998</u>

Total assets per consolidated statement of financial position 194,268

Reportable segment liabilities	43,795	–	43,795
Tax payables			1,754
Unallocated corporate liabilities			<u>3,468</u>

Total liabilities per consolidated statement of financial position 49,017

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 Europe. 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 external customers		Non-current assets	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
United States	110,621	113,753	4	12
Hong Kong	106,073	146,107	1,518	4,566
Taiwan	73,216	16,551	39	85
Netherlands	52,542	94,118	356	35
Others	7,418	2,430	41	–
	<u>349,870</u>	<u>372,959</u>	<u>1,958</u>	<u>4,698</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:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Customer A	73,273	*
Customer B	64,193	75,978
Customer C	41,221	74,386
Customer D	<u>*</u>	<u>43,251</u>

* Representing revenue contributed less than 10% of the total revenue of the Group during the year.

(a) **Contract liabilities**

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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Contract liabilities related to sales and distribution of IT products	<u>1,426</u>	<u>24</u>

Contract liabilities represent advance payments received from customers for goods that have not yet been delivered to the customers. As at 31 December 2021 and 2020, 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**

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Balance as at 1 January	24	26
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	(24)	(26)
Increase in contract liabilities as a result of advance payments received	<u>1,426</u>	<u>24</u>
Balance as at 31 December	<u>1,426</u>	<u>24</u>

4 **OTHER INCOME**

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Rental income	2,400	2,400
Fair value gain on derivative financial instrument	494	1,045
Government subsidy (<i>Note</i>)	–	1,029
Interest income from bank deposits	39	378
Others	<u>326</u>	<u>166</u>
	<u>3,259</u>	<u>5,018</u>

Note: During the year ended 31 December 2021, no government funding support (2020: HK\$1,029,000) was received from the Employment Support Scheme under the Anti-epidemic Fund launched by the Hong Kong SAR Government. The Group does not have unfulfilled obligation related to this subsidy as at 31 December 2021 and 2020.

5 EXPENSES BY NATURE

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Auditors' remuneration		
– Audit services	650	600
– Non-audit services	100	100
Cost of inventories sold	322,343	339,734
Depreciation charge		
– Property, plant and equipment	2,381	2,380
– Right-of-use-assets included within:		
– Leasehold land and buildings	706	949
– Motor vehicles	176	124
Employee benefit expenses, including directors' emoluments	13,408	13,719
Short-term lease expenses	386	287
Written off of property, plant and equipment	–	13
Gain on disposal of property, plant and equipment	(10)	–
Net foreign exchange (gain)/loss	(639)	478
Impairment loss on interest in an associate	164	628
Net provision for inventories (included in cost of sales)	370	1,478
Write-off of inventories	2	133
	<u>2</u>	<u>133</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 2021 (2020: 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 (2020: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2020: 8.25%) and the remaining assessable profits are taxed at 16.5% (2020: 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.

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Current tax		
– Tax for the year	2,095	1,968
– Over provision in respect of prior year	(321)	–
	<u>1,774</u>	<u>1,968</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% (2020: 16.5%) applicable to profit of the majority of the consolidated entities as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit before income tax	<u>4,006</u>	<u>10,965</u>
Tax at the Hong Kong tax rate of 16.5% (2020: 16.5%)	661	1,809
Tax effects of:		
– Income not subject to tax	(87)	(232)
– Associate's result reported net of tax	(111)	(120)
– Expenses not deductible for tax purposes	520	743
– Difference in overseas tax rates	664	485
– Effect of special tax exemption	(56)	(165)
– Tax effect of tax losses not recognised	526	394
– Utilisation of previously unrecognised tax losses	(22)	(946)
– Over provision in respect of prior year	<u>(321)</u>	<u>–</u>
Income tax expenses	<u><u>1,774</u></u>	<u><u>1,968</u></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:

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	2,232	8,997
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share (<i>'000</i>)	23,434	23,434
Basic earnings per share attributable to the ordinary equity holders of the Company (<i>HK cents per share</i>)	<u>9.52</u>	<u>38.39</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 (2020: same).

8 DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2021 (2020: Nil).

9 TRADE AND OTHER RECEIVABLES

	2021 <i>HK\$'000</i>	2020 <i>HK\$'000</i>
Trade receivables	13,403	824
Deposits and other receivables	<u>465</u>	<u>703</u>
Financial assets at amortised cost	13,868	1,527
Prepayments	<u>3,593</u>	<u>1,120</u>
Total trade and other receivables	<u>17,461</u>	<u>2,647</u>

The majority of the Group's sales are on cash basis. The remaining amounts are with credit terms generally ranging from 15 to 90 days. At 31 December 2021 and 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	13,121	455
2 to 3 months	280	316
Over 3 months	2	53
	<hr/> 13,403 <hr/>	<hr/> 824 <hr/>

(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 (2020: 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

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Trade payables	67,554	42,229
Deposit received	600	600
Other tax payables	2,200	393
Accruals and other payables	2,649	2,920
	<u> </u>	<u> </u>
	73,003	46,142
	<u> </u>	<u> </u>

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, the ageing analysis of the trade payables based on invoice date were as follows:

	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
Within 1 month	67,412	41,805
2 to 3 months	142	424
	<u> </u>	<u> </u>
	67,554	42,229
	<u> </u>	<u> </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.

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 refurbished and end-of-life units that are distributed through our well-established wholesale network covering the North America, Asia and Europe. During the year, the demand for smart devices created by COVID-19 was weaker compared to last year. Furthermore, our major supplier introduced its own proprietary silicon, a new ground-breaking chip design reputed to have the world's fastest CPU core "in low power silicon" and the world's best CPU performance per watt chip (SoC) in the fourth quarter of 2020 thus causing a severe drop in prices on refurbished and end-of-life products, resulting in the decrease in revenue of the Group.

The Group also developed an online trade-in platform and cooperated with international brands as their trade-in partners for certain IT products. The trade-in volume has been steadily growing and has partially made up the decrease in revenue from distribution of refurbished and end-of-life products, and resulting in a smaller decrease in the total revenue of the Group.

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's advantages to compete against other global distributors are management's expertise and 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 year, the Group continued to review and re-evaluate its business model, with an aim to improve efficiency, and achieve a higher profit margin in the long run. The Group will continue to closely monitor the market situations and make necessary adjustments to its strategies and operations. In light of lessons learnt from COVID-led supply constraints, the Group will evaluate its operation and explore the opportunity for other sustainable and stable lines of business.

Provision of repairs and other service support of IT products

The Group provides full range of after-sales maintenance 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. During the year, a repair center of the Group commenced operation and started to provide end-to-end repair services, from reverse logistics, bench repair services and spare parts storage and distribution, to customer delivery. The Group aims to provide best-in-class repair and rework services to ensure that our customers' issues are resolved quickly and with minimum impact to their business.

Due to COVID-19, there was delay in the business plan for the expansion of the repairs and service support segment, including the set up of new repair centers. The Group will closely monitor the market situation, assess and react actively to its impacts on planned expansion of service support business.

Segment information by business line

During FY2021, the revenue from sales and distribution of IT products continued to be the largest source of income which accounted for approximately 98.6% of the revenue. 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. The decrease in revenue from this segment was mainly due to decrease in the quantity and the price of the third-party IT products as a result of advancement of technology as more particularly explained in "Business Review – Sales and distribution of IT products".

	Year ended 31 December	
	2021	2020
	HK\$'000	HK\$'000
Sales and distribution of IT products	345,129	372,643
Repairs and service support	4,741	316
	<u>349,870</u>	<u>372,959</u>

The revenue generated from repairs and service support increased from approximately HK\$0.3 million for FY2020 to approximately HK\$4.7 million for FY2021. 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	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
United States	110,621	113,753
Hong Kong	106,073	146,107
Taiwan	73,216	16,551
Netherlands	52,542	94,118
Others	7,418	2,430
	<u>349,870</u>	<u>372,959</u>

During FY2021, the United States market and Hong Kong market continued to be the two largest markets of the Group in terms of their respective contribution to the revenue of the Group. The United States market overtook the Hong Kong market and contributed approximately 31.6% (2020: 30.5%) of the Group's revenue. The Taiwan market overtook the Netherlands market and contributed approximately 20.9% (2020: 4.4%) of the Group's revenue for FY2021. The Hong Kong market contributed approximately 30.3% (2020: 39.2%) of the Group's revenue for FY2021. 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 foundation and experience of the management team in international distribution, the Group has further expanded its consumer electronic product offering in multi-jurisdictions that are complementary to its current business offering. The third-party IT products including computers, communications and consumer electronics (the "3C Products") are refurbished and end-of-life units. Through the Group's international distribution channels, the Group extends the useful life of 3C Products in the post-sales circular economy.

The Group also launched several new products, including MP Automatic License Plate Recognition Camera, GN High level security system and certain new AI cameras to strengthen the Group's product portfolio and enhance the Group's competitiveness in the market. A unique hacker resistant technology is incorporated into a range of product which is designed to prevent hackers from extracting confidential video data from security cameras, giving users a peace of mind.

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

Building upon the foundation and experience gained in 2021, the Group expects to face keen competition in the IT product distribution business and the management will closely monitor the IT product distribution business and may adjust the Group's business portfolio in a bid to increase customer base and generate better and more stable returns to the shareholders.

In order to diversify the business portfolio of the Group and to avoid overconcentration on a single business segment, given the current contribution of the repairs and service support segment to the overall revenue of the Group, the Group believes that there is plenty of room for growth of the repairs and service support segment. The Group will focus its resources on the development of the repairs and service support segment, in particular setting up repair centers to provide repair services of electronic products for renowned IT brands and their service centers. The management will closely monitor the development of COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

The Group is also exploring suitable opportunities to invest in the "Circular Economy" business segment, from providing after-sales services of 3C products to recycling of 3C products to reproduce raw materials. 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 Group will continuously strengthen the management team, expand the international footprint and broaden its customer base. 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.

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\$349,870,000 for FY2021, representing a slight drop of approximately 6.2% as compared to that of approximately HK\$372,959,000 for FY2020. The decrease in revenue was mainly due to decrease in the quantity and the price of the third-party IT products as a result of the advancement of technology as more particularly explained in "Business Review".

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 FY2021 decreased to approximately HK\$324,322,000, representing a decrease of approximately 5.2%, as compared to that of approximately HK\$342,055,000 for FY2020. There was a net provision of inventories (included in the cost of sales) amounted to approximately HK\$370,000 as compared to a net provision of approximately HK\$1,478,000 for FY2020 to account for the increase in slow-moving inventories.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$5,356,000 to approximately HK\$25,548,000 for FY2021 (2020: HK\$30,904,000), which was in line with the decline in business volume. The overall gross profit margin slightly decreased from approximately 8.3% for FY2020 to approximately 7.3% for FY2021, which was mainly due to the weaker demand for smart devices created by COVID-19 compared to last year.

Selling and distribution expenses

Selling and distribution expenses increased to approximately HK\$9,171,000 for FY2021 (2020: HK\$6,397,000). The major components of the selling and distribution expenses were staff costs, take-back and data wiping cost for used devices and warehousing charges. During the year, the Group has broadened the used devices take-back channel, thus caused an increase in take-back and data wiping cost.

Administrative expenses

During FY2021, administrative expenses decreased by approximately 15.6% to approximately HK\$14,870,000. It was mainly due to the decrease in professional fees incurred and the recognition of foreign exchange gain arising from the currency fluctuation of Euro in 2021 (2020: foreign exchange loss). With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its administrative expenses reasonable low.

Net profit for the year

Net profit attributable to the shareholders decreased by approximately HK\$6,765,000 to approximately HK\$2,232,000. Net profit margin for the year decreased to approximately 0.6% (2020: 2.4%) as a result of the decrease in revenue, which had a lower profit margin. The Group considers that the decrease in profitability is generally in line with and comparable with the financial figures of the Group for the nine months ended 30 September 2021 as disclosed in the third quarterly report of the Company.

Basic earnings per share decreased to HK9.52 cents in 2021, compared with HK38.39 cents in 2020.

Inventories and trade receivables

As at 31 December 2021, the inventory level increased to approximately HK\$55,525,000 (31 December 2020: HK\$32,256,000). Over 95% of the inventory balances were purchased in the fourth quarter in 2021 and ready to be sold in the first quarter in 2022. 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 to approximately HK\$13,403,000 as at 31 December 2021 (31 December 2020: HK\$824,000). Such increase in trade receivables was attributable to new credit lines granted to customers. The Group maintains strict control on credit lines granted to customers. 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 represent 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 dividend for FY2021 (2020: Nil).

DIVIDEND POLICY

The Company does not have a fixed dividend policy. It shall 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 of 31 December 2021, the Group employed 20 (31 December 2020: 21) full-time employees in Hong Kong and 15 (31 December 2020: 10) full-time 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\$13,408,000 for FY2021 (2020: HK\$13,719,000).

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.

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 FY2021, the Group financed its daily operations with internally generated resources and net proceeds from the rights issue completed on 20 October 2017 (the "**Rights Issue**"). As at 31 December 2021, the Group had net current assets of approximately HK\$125,266,000 (31 December 2020: HK\$122,177,000) and cash and cash equivalents amounted to approximately HK\$98,850,000 (31 December 2020: HK\$104,695,000). The Group had no borrowings outstanding as at 31 December 2021.

As at 31 December 2021, the gearing ratio, which is calculating on the basis of total debts over total equity of the Group, was 53.4% (2020: 33.7%).

CAPITAL STRUCTURE

As at 31 December 2021, 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 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 FY2021.

SIGNIFICANT INVESTMENT

The Group did not hold any significant investments during FY2021.

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 FY2021.

CHARGE OF ASSETS

As at 31 December 2021, a bank deposit of US\$4,000,000 (equivalent to approximately HK\$31,194,000) (31 December 2020: US\$4,000,000 (equivalent to approximately HK\$31,220,000)) was pledged to a bank for the bank facility amounting to US\$8,000,000 (equivalent to approximately HK\$62,388,000) granted to the Group. Such bank facility was drawn by the Group to issue a standby letter of credit to the key supplier of the Group in FY2021.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed “Use of Proceeds from Rights Issue” of this announcement, 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 shareholders.

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, 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 has 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 FY2021. The Group did not use any financial instruments for hedging purposes during FY2021 (2020: Nil).

CONTINGENT LIABILITIES

As of 31 December 2021, the Group did not have any material contingent liabilities (31 December 2020: Nil).

USE OF PROCEEDS FROM RIGHTS ISSUE

The Group completed the Rights Issue on 20 October 2017 resulting in net proceeds of approximately HK\$98,428,000. With reference to the circular dated 26 September 2017 and the announcement dated 28 March 2018, the details of the proposed use of proceeds and the actual use of proceeds are as follows:–

1. Approximately HK\$7,600,000 to expand the repairs and service support business;
2. Approximately HK\$73,000,000 for the development of the IT products trading business; and
3. Approximately HK\$17,800,000 for the strategic investment in the business segment of “circular economy”.

Up to 31 December 2021, the proceeds of HK\$7,600,000 were fully utilised to facilitating the expansion of the Group’s existing repairs and service support business. Certain overseas entities and a repair center have been set up and under operation.

The proceeds of HK\$73,000,000 for the development of the IT products trading business were fully utilised by 30 June 2018.

The proceeds of HK\$17,800,000 for the strategic investment in the business segment of “circular economy” were fully utilised by 31 December 2018. The Group completed an acquisition of 21% of the issued share capital of 4Square Return GmbH. 4Square Return GmbH engaged in compliance consulting, the provision of take-back services and value recycling economy for the electronics industry. The Group considers that such investment would enable the Group to enhance its exposure in green technology and enhance the Group’s business profile.

The Directors considered that the net proceeds were applied in accordance with the intended uses as previously disclosed.

COMPETING BUSINESS

During FY2021, none of the Directors, controlling shareholder 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.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company’s shares during the year.

CORPORATE GOVERNANCE CODE

The Board and senior management of the Company commit to achieve a high standard of corporate governance, to formulate 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. During FY2021, the Company has complied with the required code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules.

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 (including former Directors who acted as Director during the reporting period) has confirmed that during his/her tenure as Director for FY2021, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting ("AGM") will be held at 11:00 a.m on Friday, 20 May 2022 at Unit 1001, Houston Centre, 63 Mody Road, Tsim Sha Tsui, Kowloon, Hong Kong. The register of members of the Company will be closed from Tuesday, 17 May 2022 to Friday, 20 May 2022, both days inclusive, in order to determine the eligibility of shareholders to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m on Monday, 16 May 2022.

AUDIT COMMITTEE

The audit committee of the Company ("**Audit Committee**") has adopted written terms of reference in compliance with code provision D.3.3 (former code provision C.3.3) of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

During FY2021, 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 them 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. The Audit Committee normally meets four 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 aspects, 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 reviews 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 control 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.

The quarterly, interim and annual results of the financial year of 2021, including the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of changes in equity and related notes thereto for FY2021 have been reviewed by the Audit Committee.

FIGURES IN THIS 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 FY2021 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. Hong Sung-Tai

Chairman

Hong Kong, 21 March 2022

As at the date of this announcement, the executive Directors are Mr. Hong Sung-Tai, Ms. Chen Ching-Hsuan, Mr. Han Chun-Wei and Mr. Tsai Biing-Hann; the non-executive Director is 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. 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 at the “Latest Company Announcements” page of the GEM website at www.hkgem.com 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.