

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8051)

**INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2022
AND
CHANGE OF ADDRESS OF HONG KONG BRANCH SHARE
REGISTRAR AND TRANSFER OFFICE**

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

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

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

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

RESULTS

The board of Directors (the “**Board**”) hereby announces the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2022, together with the comparative unaudited figures for the corresponding periods in 2021, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended		Six months ended	
		30 June		30 June	
	<i>Notes</i>	2022	2021	2022	2021
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	136,413	50,500	315,840	122,571
Cost of sales		(128,055)	(45,008)	(298,868)	(112,464)
Gross profit		8,358	5,492	16,972	10,107
Other income		1,013	776	1,802	1,400
Selling and distribution costs		(1,574)	(1,334)	(3,724)	(2,689)
Administrative expenses		(3,790)	(3,838)	(8,297)	(7,539)
Research and development expenditures		(319)	(343)	(629)	(688)
Share of net profit of an associate accounted for using the equity method		111	75	241	276
Finance costs		(19)	(17)	(33)	(37)
Profit before income tax	5	3,780	811	6,332	830
Income tax expenses	6	(1,502)	(452)	(3,140)	(453)
Profit for the period		2,278	359	3,192	377

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive income for the period:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences arising on translation of foreign operations	(889)	192	(878)	924
<i>Item that will not be reclassified to profit or loss</i>				
Changes in the fair value of equity investment at fair value through other comprehensive income	146	107	146	107
Other comprehensive income for the period	(743)	299	(732)	1,031
Total comprehensive income for the period	<u>1,535</u>	<u>658</u>	<u>2,460</u>	<u>1,408</u>
Earnings per share attributable to owners of the Company (<i>HK cents per share</i>)				
– Basic and diluted	8 <u>9.72</u>	<u>1.53</u>	<u>13.62</u>	<u>1.61</u>

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Assets			
Non-current assets			
Property, plant and equipment		79	1,268
Right-of-use assets		1,191	690
Interest in an associate		7,431	7,537
Derivative financial instruments		9,209	9,972
Financial asset at fair value through other comprehensive income		<u>1,597</u>	<u>1,451</u>
		19,507	20,918
Current assets			
Inventories		11,455	55,525
Trade and other receivables	9	22,254	17,461
Restricted bank deposits		–	31,194
Cash and cash equivalents		<u>121,071</u>	<u>98,850</u>
		154,780	203,030
Total assets		<u>174,287</u>	<u>223,948</u>

		As at 30 June 2022 <i>Notes</i> HK\$'000 (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Equity			
Share capital	<i>11</i>	4,687	4,687
Other reserves		195,806	196,538
Accumulated losses		<u>(52,027)</u>	<u>(55,219)</u>
Total equity		<u>148,466</u>	<u>146,006</u>
Liabilities			
Current liabilities			
Trade and other payables	<i>10</i>	10,773	73,003
Lease liabilities		430	545
Contract liabilities		12,112	1,426
Tax payables		<u>1,731</u>	<u>2,790</u>
		<u>25,046</u>	<u>77,764</u>
Total assets less current liabilities		<u>149,241</u>	<u>146,184</u>
Non-current liabilities			
Lease liabilities		<u>775</u>	<u>178</u>
Total liabilities		<u>25,821</u>	<u>77,942</u>
Total equity and liabilities		<u>174,287</u>	<u>223,948</u>

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The interim condensed consolidated financial statements for the six months ended 30 June 2022 have been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the applicable disclosure requirements of the GEM Listing Rules.

The interim condensed consolidated financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”).

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

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the interim condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 December 2021, as described in those annual financial statements, except for the adoption of amendments to standards, interpretation and new standard effective for the financial year ending 31 December 2022. The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2022.

Amendments to HKAS 16, Property, Plant and Equipment – Proceeds before Intended Use

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

Amendments to HKFRS 3, Reference to the Conceptual Framework

Annual improvements to HKFRSs 2018-2020, Amendments to HKFRS 9 and Amendments to Illustrative Examples accompanying HKFRS 16

HKFRS 16 COVID-19 Beyond 30 June 2021

The adoption of the above amended standards did not have a material impact on the Group’s unaudited interim condensed consolidated financial information for the six months ended 30 June 2022.

3. REVENUE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales and distribution of IT products	134,552	49,329	312,184	121,292
Repairs and service support	1,861	1,171	3,656	1,279
Revenue from contracts with customers	<u>136,413</u>	<u>50,500</u>	<u>315,840</u>	<u>122,571</u>

4. SEGMENT INFORMATION

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

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

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

During the six months ended 30 June 2022 and 2021, the Group's operating and reporting segments are as follows:

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

Segment revenue and results

The segment information provided to the Executive Directors for the reportable segments for the six months ended and three months ended 30 June 2022 and 2021 is as follows:

Six months ended 30 June 2022 (unaudited)

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

Three months ended 30 June 2022 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	134,552	1,861	136,413
Time of revenue recognition			
– At a point in time	134,552	1,861	136,413
– Over time	–	–	–
Segment profit	4,142	721	4,863
Interest income from bank deposits			21
Other income			756
Salaries, wages and other benefits			(437)
Depreciation charge			(862)
Unallocated corporate expenses (<i>note</i>)			(653)
Finance costs			(19)
Operating profit			3,669
Share of net profit of an associate accounted for using the equity method			111
Profit before income tax			3,780

Six months ended 30 June 2021 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>121,292</u>	<u>1,279</u>	<u>122,571</u>
Time of revenue recognition			
– At a point in time	121,292	5	121,297
– Over time	<u>–</u>	<u>1,274</u>	<u>1,274</u>
	<u>121,292</u>	<u>1,279</u>	<u>122,571</u>
Segment profit	<u>1,874</u>	<u>585</u>	2,459
Interest income from bank deposits			19
Other income			1,305
Salaries, wages and other benefits			(969)
Depreciation charge			(1,231)
Unallocated corporate expenses (<i>note</i>)			(992)
Finance costs			<u>(37)</u>
Operating profit			554
Share of net profit of an associate accounted for using the equity method			<u>276</u>
Profit before income tax			<u>830</u>

Three months ended 30 June 2021 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>49,329</u>	<u>1,171</u>	<u>50,500</u>
Time of revenue recognition			
– At a point in time	49,329	5	49,334
– Over time	<u>–</u>	<u>1,166</u>	<u>1,166</u>
	<u>49,329</u>	<u>1,171</u>	<u>50,500</u>
Segment profit	<u>1,147</u>	<u>555</u>	1,702
Interest income from bank deposits			14
Other income			686
Salaries, wages and other benefits			(501)
Depreciation charge			(606)
Unallocated corporate expenses (<i>note</i>)			(542)
Finance costs			<u>(17)</u>
Operating profit			736
Share of net profit of an associate accounted for using the equity method			<u>75</u>
Profit before income tax			<u>811</u>

Note:

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

Geographical information

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
United States	97,347	5,056	201,680	15,302
Taiwan	23,576	7,469	69,045	23,254
Netherlands	8,688	73	24,492	5,697
Hong Kong	4,281	36,270	15,010	76,052
Others	2,521	1,632	5,613	2,266
	<u>136,413</u>	<u>50,500</u>	<u>315,840</u>	<u>122,571</u>

5. PROFIT BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	581	600	1,168	1,202
Depreciation of right-of-use assets	303	219	596	447
Interest expenses on lease liabilities	19	17	33	37
Short-term lease expenses	105	91	223	198
Loss on disposal of property, plant and equipment	–	(10)	–	(10)
Interest income	(25)	(9)	(46)	(22)
Net foreign exchange loss/(gain)	(127)	116	(27)	396
Reversal of impairment loss on interest in an associate	–	(302)	–	(302)
Fair value loss on derivative financial instruments	312	200	312	200
Gain on lease modification	(9)	–	(9)	–
Net provision of inventories/(reversal of) (included in cost of sales)	677	(227)	1,479	(395)
Rental income	(600)	(600)	(1,200)	(1,200)
Government subsidy (note)	(240)	–	(240)	–
	<u>(240)</u>	<u>–</u>	<u>(240)</u>	<u>–</u>

Note:

The government subsidies were granted under the Employment Support Scheme (“ESS”) as the second round of the Anti-epidemic Fund, which aims to retain staff employment. The Group is required to undertake to employ sufficient number of employees with a monthly wage of HK\$8,000 or above is no less than the chosen “full subsidy headcount” and to spend all the wage subsidies on paying wages to the employees. For the six months ended 30 June 2022, the Group recognised government subsidies from the ESS of approximately HK\$240,000 as “Other income” in the interim condensed consolidated statement of comprehensive income (six months ended 30 June 2021: Nil).

6. INCOME TAX EXPENSES

No Hong Kong Profits Tax has been provided for the period ended 30 June 2022. In the prior period, Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits, 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 of assessable profits of this subsidiary are taxed at 8.25% and the remaining assessable profit are taxed at 16.5% for the period ended 30 June 2021.

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
– Hong Kong Profits Tax	–	310	–	434
– Overseas taxation	<u>1,502</u>	<u>142</u>	<u>3,140</u>	<u>19</u>
Income tax expenses	<u><u>1,502</u></u>	<u><u>452</u></u>	<u><u>3,140</u></u>	<u><u>453</u></u>

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

8. EARNINGS PER SHARE

(a) Basic

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

	Three months ended		Six months ended	
	30 June		30 June	
	2022	2021	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	2,278	359	3,192	377
Weighted average number of ordinary shares (thousands)	<u>23,434</u>	<u>23,434</u>	<u>23,434</u>	<u>23,434</u>
	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>	<i>HK cents</i>
	<i>per share</i>	<i>per share</i>	<i>per share</i>	<i>per share</i>
Basic earnings per share	<u>9.72</u>	<u>1.53</u>	<u>13.62</u>	<u>1.61</u>

(b) Diluted

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

9. TRADE AND OTHER RECEIVABLES

	As at	As at
	30 June	31 December
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(audited)
Trade receivables	11,559	13,403
Deposit and other receivables	<u>593</u>	<u>465</u>
Financial assets at amortised cost	12,152	13,868
Prepayments	<u>10,102</u>	<u>3,593</u>
Total trade and other receivables	<u>22,254</u>	<u>17,461</u>

The majority of the Group's sales are on cash basis. The remaining amounts are with credit terms generally ranging from 15 to 45 days. As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Within 1 month	11,323	13,121
1 to 2 months	129	–
2 to 3 months	51	280
Over 3 months	<u>56</u>	<u>2</u>
	<u>11,559</u>	<u>13,403</u>

10. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>HK\$'000</i> (unaudited)	As at 31 December 2021 <i>HK\$'000</i> (audited)
Trade payables	7,060	67,554
Deposit received	600	600
Other tax payables	776	2,200
Accruals and other payables	<u>2,337</u>	<u>2,649</u>
	<u>10,773</u>	<u>73,003</u>

As at 30 June 2022 and 31 December 2021, the ageing analysis of the trade payables based on invoice date were as follows:

	As at 30 June 2022 HK\$'000 (unaudited)	As at 31 December 2021 HK\$'000 (audited)
Within 1 month	6,382	67,412
1 to 2 months	107	–
2 to 3 months	–	142
Over 3 months	571	–
	<u>7,060</u>	<u>67,554</u>

11. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2022 '000 (unaudited)	31 December 2021 '000 (audited)	30 June 2022 HK\$'000 (unaudited)	31 December 2021 HK\$'000 (audited)
Ordinary shares				
Issued and fully paid	<u>23,434</u>	<u>23,434</u>	<u>4,687</u>	<u>4,687</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The global secondary IT products market saw a surge in demand as well as supply in the first half of 2022. With the laptop and tablet prices remaining at the higher end, a larger share of consumers considered buying refurbished models which allow consumers to obtain devices across all price ranges more affordably. In addition, as more emphasis were placed on the circular economy and sustainability, the awareness of refurbished products increased during the period and consumers were exposed to more benefits of choosing a pre-owned device.

Furthermore, the Group has also cooperated with international brands as their trade-in partners for used smart devices, which has broadened the Group's suppliers' channel and fueled the growth of the Group's revenue.

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 a number 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.

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.

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

Provision of repairs and other service support of IT products

The Group provides full range of after sales maintenance supporting services for video surveillance products carrying our own brand name. Smart device applications were also developed by the Group to provide remote control and monitoring of the video surveillance products. The Group operates a repair centre and provides end-to-end repair service, 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 ensuring our customers' issues are resolved quickly and with minimum impact to their business.

FINANCIAL REVIEW

Revenue

The Group's total revenue amounted to approximately HK\$315.8 million for the six months ended 30 June 2022, representing an increase of approximately HK\$193.3 million as compared to that of approximately HK\$122.6 million for the six months ended 30 June 2021.

	Six months ended 30 June	
	2022	2021
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales and distribution of IT products	312,184	121,292
Repairs and service support	<u>3,656</u>	<u>1,279</u>
Revenue from contracts with customers	<u><u>315,840</u></u>	<u><u>122,571</u></u>

Sales and distribution of IT products

For the six months ended 30 June 2022, the revenue from sales and distribution of IT products continued to be the largest source of income of the Group which accounted for approximately 98.8% of the revenue of the Group. Revenue from sales and distribution of IT products consists of third-party IT products and video surveillance products carrying our own brand name. The increase in revenue was mainly due to increase in demand and supply of secondary IT products as explained in "Business Review".

Provision of repairs and other service support of IT products

The revenue from repairs and service support increased from approximately HK\$1.3 million for the six months ended 30 June 2021 to approximately HK\$3.7 million for the six months ended 30 June 2022. The increase in revenue was mainly due to the expanded services support of IT products in addition to video surveillance products carrying our own brand name.

Segment revenue by geographical location

	Six months ended 30 June	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
United States	201,680	15,302
Taiwan	69,045	23,254
Netherlands	24,492	5,697
Hong Kong	15,010	76,052
Others	5,613	2,266
	<u>315,840</u>	<u>122,571</u>

For the six months ended 30 June 2022, United States market overtook the Hong Kong market and contributed approximately 63.9% (six months ended 30 June 2021: approximately 12.5%) of the Group's revenue. The Taiwan market contributed approximately 21.9% (six months ended 30 June 2021: approximately 19.0%) and Netherlands market contributed approximately 7.8% (six months ended 30 June 2021: approximately 4.6%) of the Group's revenue for the six months ended 30 June 2022. 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 location.

Cost of sales

A major component of the cost of sales was the cost of inventories. In line with the increase in business volume, the cost of sales for the six months ended 30 June 2022 increased to approximately HK\$298.9 million, as compared to that of approximately HK\$112.5 million for the corresponding period in 2021. There was a net provision of inventories, included in the cost of sales amounted approximately HK\$1.5 million as compared to a net reversal of provision of HK\$0.4 million for the same period in 2021 to account for the increase in slow-moving inventories.

Gross profit and gross profit margin

Gross profit increased by approximately HK\$6.9 million for the six months ended 30 June 2022 as compared to that of the six months ended 30 June 2021 which is attributable to the increase in business volume during the period. The gross profit margin of the Group decreased to approximately 5.4% for the six months ended 30 June 2022 (six months ended 30 June 2021: approximately 8.2%). During the period, the Group's largest market, the United States, is experiencing a high inflation rate and consumers are more conservative on spending. As a result, the Group has reasonably lowered its gross margin to improve the inventory turnover rate and respond to the occasional increase in supply in the United States.

Selling and distribution expenses

Selling and distribution expenses increased to approximately HK\$3.7 million during the six months ended 30 June 2022. A major component of the selling and distribution expenses was staff costs and commission and warehousing charges.

Administrative expenses

Administrative expenses increased by approximately 10.1% to approximately HK\$8.3 million during the six months ended 30 June 2022. It was mainly due to the expansion of the repair and service support business, especially the commencement of operation of a repair centre in Australia.

Net profit for the period

The Group recorded a net profit of approximately HK\$3.2 million and approximately HK\$0.4 million for the six months ended 30 June 2022 and 2021, respectively. The net profit for the six months ended 30 June 2022 was mainly contributed by the net profit of approximately HK\$2.3 million for the three months ended 30 June 2022 given the increase in revenue and gross profit. The Board considers that the profitability in the second quarter is generally in line with and comparable with the financial figures of the Group for the three months ended 31 March 2022 as disclosed in the quarterly report of the Company. The Group recorded a net profit of approximately HK\$0.9 million for the three months ended 31 March 2022.

Inventories and trade receivables

As at 30 June 2022, the inventory level decreased to approximately HK\$11.5 million (31 December 2021: approximately HK\$55.5 million). The Group continued to monitor the inventory level and reduce the inventory risk, with an aim to shorten the cash conversion cycle.

Trade receivables remain stable at approximately HK\$11.6 million (31 December 2021: approximately HK\$13.4 million). The Group maintains strict control on credit line granted to customers. During the period, customers of the Group maintained good credit history and no material impairment of trade receivables is recognized.

Key financial performance

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

BUSINESS OUTLOOK

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 of the Company (the "**Shareholders**").

In order to diversify the business portfolio of the Group to avoid overconcentration on a single business segment and to generate more stable returns to Shareholders, given the current contribution of the repairs and service support segment to the overall revenue of the Group and the relatively high profit margin of this segment, the Group believes that there is plenty of room for growth of the repairs and service support segment. The Group will focus 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.

EMPLOYEE INFORMATION

As at 30 June 2022, the Group employed 23 (30 June 2021: 21) full time employees in Hong Kong and 12 (30 June 2021: 12) full time employees in the People's Republic of China and overseas offices. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits schemes contributions amounted to approximately HK\$6,732,000 (30 June 2021: approximately HK\$6,097,000).

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

DEVELOPMENT AND TRAINING

The Group provides training programmes for staff professional development so that the employees are better equipped and increasing efficiency which is 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 also 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 training courses during working days and training sponsorship.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the six months ended 30 June 2022, the Group financed its daily operations with internally generated resources. As at 30 June 2022, the Group had net current assets of approximately HK\$129,734,000 (31 December 2021: approximately HK\$125,266,000) and cash and cash equivalents amounted to approximately HK\$121,071,000 (31 December 2021: approximately HK\$98,850,000).

As at 30 June 2022, the gearing ratio, which is calculating on the basis to total debts over total equity of the Group was 17.4% (31 December 2021: 53.4%). The decrease in gearing ratio was mainly due to a decrease in trade payables.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2022 (six months ended 30 June 2021: Nil).

CAPITAL STRUCTURE

As at 30 June 2022, the Company had an authorised share capital of HK\$80,000,000 divided into 400,000,000 shares of a par value of HK\$0.2 each, of which 23,433,783 shares were in issue. No convertible securities, options, warrants or similar rights by the Company or its subsidiaries were outstanding during the period.

The Group did not have any borrowings during the six months ended 30 June 2022 (31 December 2021: Nil).

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment during the six months ended 30 June 2022 (31 December 2021: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisition and disposal of subsidiaries and affiliated companies for the six months ended 30 June 2022 (31 December 2021: Nil).

CHARGE ON ASSETS

As at 30 June 2022, no bank deposit was pledged for banking facility granted to the Group (31 December 2021: US\$4,000,000 equivalent to approximately HK\$31,194,000 was pledged to a bank for the bank facility amounting to US\$8,000,000 equivalent to approximately HK\$62,388,000).

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

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

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the six months ended 30 June 2022, the Group's transactions were substantially denominated in either HK\$, United States dollars or Euros. The Group did not use any financial instruments for hedging purposes (31 December 2021: Nil). A significant volatility in foreign exchange rates may negatively affect the Group's results of operations and other comprehensive income.

CONTINGENT LIABILITIES

As at 30 June 2022, the Group did not have any contingent liabilities (31 December 2021: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As of 30 June 2022, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required under Divisions 7 and 8 of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required under Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2022 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of eighteen, had any rights to subscribe for securities of the Company, or had exercised any such rights during the six months ended 30 June 2022.

SUBSTANTIAL SHAREHOLDERS

As of 30 June 2022, so far as is known to the Directors and chief executive of the Company, the interests and short positions of the persons or corporations (other than a Director or chief executive of the Company) in the shares and underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long position in shares of the Company (the “Shares”)

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

Note:

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

Save as disclosed above, as of 30 June 2022, the Company had not been notified by any other person (other than a Director or chief executive of the Company) who had interests or short positions in the Shares and the underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme was adopted by the Company and was approved by the Shareholders and was effective on 11 November 2016 (the “**2016 Option Scheme**”). Unless otherwise cancelled or amended, the 2016 Option Scheme will remain in force for a period of 10 years from the date of its adoption.

No share options were granted by the Company since the date of adoption of the 2016 Option Scheme.

COMPETITION AND CONFLICT OF INTERESTS

During the six months ended 30 June 2022, the Directors were not aware of any business or interest of the Directors, controlling shareholders of the Company and their respective close associates (as defined in the GEM Listing Rules) that competes or may compete with the business of the Group or any other conflicts of interests which any such person has or may have with the Group.

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

During the six months ended 30 June 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors (the “**Company's Code**”) on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the Company's specific enquiry, each of the Directors has confirmed that during his/her tenure as Director in the six months ended 30 June 2022, he/she had fully complied with the required standard of dealings and the Company's Code and there was no event of non-compliance.

CORPORATE GOVERNANCE CODE

The Company has adopted the principles and the code provisions in the Corporate Governance Code (the “**CG Code**”) as set out in Part 2 of Appendix 15 to the GEM Listing Rules. During the six months ended 30 June 2022, the Company has complied with the CG Code.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited interim condensed consolidated financial information of the Group for the six months ended 30 June 2022 has been reviewed by the Company's auditor, BDO Limited, in accordance with Hong Kong Standard on Review Engagement 2410 “Review of Interim Financial Information Performed by Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountant.

The Audit Committee has reviewed the unaudited interim condensed consolidated financial statements of the Group for the six months ended 30 June 2022, this announcement and the interim report, and has provided advice and comments thereon.

EVENT OCCURRING AFTER THE REPORTING PERIOD

Change of address of Hong Kong branch share registrar and transfer office

With effect from 15 August 2022, the Hong Kong branch share registrar and transfer office of the Company, Tricor Tengis Limited (the “**Branch Share Registrar**”), will change its address from Level 54, Hopewell Centre, 183 Queen’s Road East, Hong Kong to 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong.

All telephone and facsimile numbers of the Branch Share Registrar will remain unchanged.

By order of the Board

CircuTech International Holdings Limited

Mr. Hong Sung-Tai

Chairman

Hong Kong, 9 August 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 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.