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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)

**THIRD QUARTERLY RESULTS ANNOUNCEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2023**

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

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

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

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

HIGHLIGHTS

- The Group recorded a turnover of approximately HK\$72.4 million for the nine months ended 30 September 2023 (nine months ended 30 September 2022: approximately HK\$349.6 million), representing a decrease of approximately HK\$277.2 million or approximately 79.3% when compared with the same period last year.
- The Group undertook a planned and structured process to develop and strengthen its repair and service support segment which has effectively increased the gross profit margin of the Group to approximately 13.8% for the nine months ended 30 September 2023 (nine months ended 30 September 2022: approximately 6.2%).
- The Group recorded a profit attributable to the owners of the Company of approximately HK\$4.4 million for the nine months ended 30 September 2023 (nine months ended 30 September 2022: approximately HK\$5.7 million), representing a decrease of approximately HK\$1.3 million when compared with the same period last year.
- The board (the “**Board**”) of Directors of the Company does not recommend the payment of a dividend for the nine months ended 30 September 2023 (nine months ended 30 September 2022: Nil).

QUARTERLY RESULTS

The Board hereby announces the unaudited condensed consolidated quarterly results of the Group for the nine months ended 30 September 2023, together with the comparative unaudited figures for the corresponding period in 2022, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<i>Notes</i>	Three months ended		Nine months ended	
		30 September		30 September	
		2023	2022	2023	2022
		<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	43,850	33,722	72,352	349,562
Cost of sales		(40,602)	(28,952)	(62,345)	(327,820)
Gross profit		3,248	4,770	10,007	21,742
Other income		1,669	900	4,493	2,702
Selling and distribution costs		(479)	(588)	(1,284)	(4,312)
Administrative expenses		(3,123)	(2,059)	(9,891)	(10,044)
Research and development expenditures		(215)	(309)	(648)	(938)
Fair value gain/(loss) on derivative financial instrument		–	–	1,987	(312)
Share of net profit of an associate accounted for using the equity method		151	(14)	748	227
Finance costs		(26)	(35)	(99)	(68)
Profit before income tax	5	1,225	2,665	5,313	8,997
Income tax expenses	6	(124)	(154)	(476)	(3,294)
Profit for the period		1,101	2,511	4,837	5,703

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive income for the period:				
<i>Items that may be reclassified to profit or loss</i>				
Exchange differences arising on translation of foreign operations	375	(2,408)	1,412	(3,286)
<i>Items that will not be reclassified to profit or loss</i>				
Change in the fair value of equity investment at fair value through other comprehensive income	–	–	–	146
Other comprehensive income for the period	<u>375</u>	<u>(2,408)</u>	<u>1,412</u>	<u>(3,140)</u>
Total comprehensive income for the period	<u>1,476</u>	<u>103</u>	<u>6,249</u>	<u>2,563</u>
Profit for the period attributable to:				
– Owners of the Company	1,306	2,511	4,445	5,703
– Non-controlling interests	<u>(205)</u>	<u>–</u>	<u>392</u>	<u>–</u>
	<u>1,101</u>	<u>2,511</u>	<u>4,837</u>	<u>5,703</u>
Total comprehensive income attributable to:				
– Owners of the Company	1,678	103	5,854	2,563
– Non-controlling interests	<u>(202)</u>	<u>–</u>	<u>395</u>	<u>–</u>
	<u>1,476</u>	<u>103</u>	<u>6,249</u>	<u>2,563</u>
Earnings per share attributable to owners of the Company (<i>HK cents per share</i>)				
– Basic and diluted	8	<u>5.57</u>	<u>10.72</u>	<u>18.97</u>
		<u>24.34</u>		

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to owners of the Company

	Share capital	Share premium	Translation reserve	Special reserve	Financial asset at fair value through other comprehensive income	Accumulated losses	Total	Non-controlling interest	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2023 (audited)	4,687	183,006	(4,462)	14,990	135	(49,798)	148,558	11,486	160,044
Capital reduction to a non-controlling shareholder of a subsidiary	-	-	-	-	-	-	-	(11,104)	(11,104)
Profit for the period	-	-	-	-	-	4,445	4,445	392	4,837
Other comprehensive income for the period ended 30 September 2023									
Exchange differences arising on translation of foreign operations	-	-	1,409	-	-	-	1,409	3	1,412
Change in fair value of equity investment at fair value through other comprehensive income	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	1,409	-	-	4,445	5,854	395	6,249
At 30 September 2023 (unaudited)	4,687	183,006	(3,053)	14,990	135	(45,353)	154,412	777	155,189
At 1 January 2022 (audited)	4,687	183,006	(1,447)	14,990	(11)	(55,219)	146,006	-	146,006
Profit for the period	-	-	-	-	-	5,703	5,703	-	5,703
Other comprehensive income for the period ended 30 September 2022									
Exchange differences arising on translation of foreign operations	-	-	(3,286)	-	-	-	(3,286)	-	(3,286)
Change in fair value of equity investment at fair value through other comprehensive income	-	-	-	-	146	-	146	-	146
Total comprehensive income for the period	-	-	(3,286)	-	146	5,703	2,563	-	2,563
At 30 September 2022 (unaudited)	4,687	183,006	(4,733)	14,990	135	(49,516)	148,569	-	148,569

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

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

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

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

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the nine months ended 30 September 2023 has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable requirements of the GEM Listing Rules. This unaudited condensed consolidated financial information does not include all information and disclosures as required in the annual financial statements.

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

HKFRS 17 – Insurance Contracts and the related Amendments

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

Amendments to HKAS 8, Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates

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

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

Except as described below, the adoption of the above amended standards and interpretation did not have a material impact on the Group’s unaudited condensed consolidated financial information for the nine months ended 30 September 2023.

Impacts on application of HKFRS 17 and the related amendments

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

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

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

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

3. REVENUE

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales and distribution of IT products	37,296	29,182	57,826	341,366
Repairs and service support	6,554	4,540	14,526	8,196
Total revenue	<u>43,850</u>	<u>33,722</u>	<u>72,352</u>	<u>349,562</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 nine months ended 30 September 2023 and 2022, the Group’s operating and reporting segments are as follows:

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

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

No sales between segments are carried out during the nine months ended 30 September 2023 and 2022. The revenue from external parties is measured in the same way as in the unaudited condensed 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.

Segment revenue and results

The segment information for the nine months ended 30 September 2023 and 2022 is as follows:

Nine months ended 30 September 2023 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	57,826	14,526	72,352
Time of revenue recognition			
– At a point in time	57,826	14,526	72,352
– Over time	–	–	–
Segment profit	1,239	4,089	5,328
Interest income from bank deposits			2,090
Other income			2,403
Salaries, wages and other benefits			(2,739)
Depreciation charges			(1,435)
Fair value gain on derivative financial instrument			1,987
Finance costs			(99)
Unallocated corporate expenses (<i>note</i>)			(2,970)
Operating profit			4,565
Share of net profit of an associate accounted for using the equity method			748
Profit before income tax			5,313
Income tax expenses			(476)
Profit for the period			4,837

Three months ended 30 September 2023 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	37,296	6,554	43,850
Time of revenue recognition			
– At a point in time	37,296	6,554	43,850
– Over time	–	–	–
Segment profit	168	1,689	1,857
Interest income from bank deposits			900
Other income			769
Salaries, wages and other benefits			(935)
Depreciation charges			(458)
Fair value gain on derivative financial instrument			–
Finance costs			(26)
Unallocated corporate expenses (<i>note</i>)			(1,033)
Operating profit			1,074
Share of net profit of an associate accounted for using the equity method			151
Profit before income tax			1,225
Income tax expenses			(124)
Profit for the period			1,101

Nine months ended 30 September 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>341,366</u>	<u>8,196</u>	<u>349,562</u>
Time of revenue recognition			
– At a point in time	341,366	8,135	349,501
– Over time	<u>–</u>	<u>61</u>	<u>61</u>
Segment profit	<u>10,100</u>	<u>2,227</u>	12,327
Interest income from bank deposits			149
Other income			2,319
Salaries, wages and other benefits			(1,733)
Depreciation charges			(2,075)
Fair value loss on derivative financial instrument			(312)
Finance costs			(68)
Unallocated corporate expenses (<i>note</i>)			<u>(1,837)</u>
Operating profit			8,770
Share of net profit of an associate accounted for using the equity method			<u>227</u>
Profit before income tax			8,997
Income tax expenses			<u>(3,294)</u>
Profit for the period			<u>5,703</u>

Three months ended 30 September 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>29,182</u>	<u>4,540</u>	<u>33,722</u>
Time of revenue recognition			
– At a point in time	29,182	4,479	33,661
– Over time	<u>–</u>	<u>61</u>	<u>61</u>
Segment profit	<u>2,493</u>	<u>1,067</u>	3,560
Interest income from bank deposits			107
Other income			795
Salaries, wages and other benefits			(507)
Depreciation charge			(333)
Fair value loss on derivative financial instrument			–
Finance costs			(35)
Unallocated corporate expenses (<i>note</i>)			<u>(908)</u>
Operating profit			2,679
Share of net profit of an associate accounted for using the equity method			<u>(14)</u>
Profit before income tax			2,665
Income tax expenses			<u>(154)</u>
Profit for the period			<u>2,511</u>

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

5. PROFIT BEFORE INCOME TAX

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	12	15	42	1,183
Depreciation of right-of-use assets	453	326	1,418	922
Interest expenses on lease liabilities	26	35	99	68
Short-term lease expenses	155	60	377	283
Interest income	(900)	(103)	(2,090)	(149)
Net foreign exchange loss/(gain)	26	(671)	139	(698)
Fair value (gain)/loss on derivative financial instruments	–	–	(1,987)	312
Gain on lease modification	–	–	(4)	–
(Net reversal of provision)/net provision for inventories (included in cost of sales)	(220)	(1,269)	(309)	210
Rental income	(600)	(600)	(1,800)	(1,800)
Government subsidy (<i>note</i>)	–	(120)	–	(360)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Note: The government subsidies were granted under the Employment Support Scheme (the “ESS”) as the second round of the Anit-epidemic Fund, which aims to retain staff employment. The Group is required to undertake to employ a 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 nine months ended 30 September 2023, the Group did not recognise any government subsidies from the ESS as “Other income” in the unaudited condensed consolidated statement of comprehensive income (nine months ended 30 September 2022: approximately HK\$360,000).

6. INCOME TAX EXPENSES

Hong Kong Profits Tax has been provided at the rate of 16.5% on the estimated assessable profits for the year ending 31 December 2023 (2022: 16.5%), except for one subsidiary of the Group which is a qualifying entity under the two-tier profits tax rates regime. For the year ending 31 December 2023, the first HK\$2,000,000 (2022: HK\$2,000,000) of assessable profits of this subsidiary are taxed at 8.25% (2022: 8.25%) and the remaining assessable profits are taxed at 16.5% (2022: 16.5%).

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

7. DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2023 (nine months ended 30 September 2022: Nil).

8. EARNINGS PER SHARE

(a) Basic

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

	Three months ended		Nine months ended	
	30 September		30 September	
	2023	2022	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to the ordinary equity shareholders of the Company in calculating basic earnings per share	<u>1,306</u>	<u>2,511</u>	<u>4,445</u>	<u>5,703</u>
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share ('000)	<u>23,434</u>	<u>23,434</u>	<u>23,434</u>	<u>23,434</u>
Basic earnings per share attributable to the ordinary equity shareholders of the Company (<i>HK cents per share</i>)	<u>5.57</u>	<u>10.72</u>	<u>18.97</u>	<u>24.34</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.

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2023 (nine months ended 30 September 2022: Nil).

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.

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

Sales and distribution of IT products

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

In response to the complex business environment in 2023, the Group closely monitors the market situation and reacts actively to the dynamic business environment and implements various decisive measures throughout the planned transformation process. Objectives of these measures include i) to maintain the competitive advantage of the Group in distribution business and generate reliable returns; ii) to exit from businesses that have not met expectations or might require cash input from the Group; and iii) to explore suitable new business that enhances the Group's products and customers base and profit-making abilities.

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

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

Provision of repairs and other service support of IT products

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

Since it takes time to set up and develop the Group's own repair centres, during the period, the Group started to work together with a subsidiary in Hon Hai Precision Industry Co., Ltd., the controlling shareholder of the Company, to provide end-to-end repair services. Please refer to the announcement of the Company dated 28 April 2023 for details. The management expects the repairs and service support segment to grow steadily in the coming quarters.

FINANCIAL REVIEW

Revenue

The Group's total revenue amounted to approximately HK\$72.4 million for the nine months ended 30 September 2023, representing a decrease of approximately HK\$277.2 million or approximately 79.3% as compared to that of approximately HK\$349.6 million for the nine months ended 30 September 2022.

	Nine months ended	
	30 September	
	2023	2022
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Sales and distribution of IT products	57,826	341,366
Repairs and service support	14,526	8,196
Total revenue	<u>72,352</u>	<u>349,562</u>

Sales and distribution of IT products

For the nine months ended 30 September 2023, the revenue from sales and distribution of IT products continued to be the largest source of income of the Group which accounted for approximately 79.9% of the revenue of the Group. Revenue from sales and distribution of IT products consists of third-party IT products and video surveillance products carrying our own brand name. The drop in segment revenue of the sales and distribution segment was due to the adjusted business model as explained in the paragraph headed “Business Review” above.

Provision of repairs and other service support of IT products

For the nine months ended 30 September 2023, the revenue generated from repairs and service support increased from approximately HK\$8.2 million to approximately HK\$14.5 million. The increase in segment revenue was mainly due to the expanded service support of IT products in addition to video surveillance products carrying our own brand name.

Segment revenue by geographical location

	Nine months ended	
	30 September	
	2023	2022
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong	40,683	31,573
Japan	20,386	2,374
United States	5,102	207,773
Australia	4,385	5,530
Taiwan	22	74,001
Netherlands	16	26,850
Others	1,758	1,461
Total revenue	<u>72,352</u>	<u>349,562</u>

For the nine months ended 30 September 2023, Hong Kong market contributed approximately 56.2% (nine months ended 30 September 2022: approximately 9.0%) of the Group’s revenue. Japan market contributed approximately 28.2% (nine months ended 30 September 2022: approximately 0.7%) and the United States market contributed approximately 7.1% (nine months ended 30 September 2022: approximately 59.4%) of the Group’s revenue for the nine months ended 30 September 2023, respectively. The change in contribution of revenue by geographical location was due to the adjustment in the Group’s business model to develop its repairs and service support segment and the change of product mix driven by the demand and supply of the IT products of the sales and distribution segment in each of the geographical location.

Cost of sales

A major component of the cost of sales was the cost of inventories. In line with the decrease in revenue, the cost of sales for the nine months ended 30 September 2023 decreased to approximately HK\$62.3 million, as compared to that of approximately HK\$327.8 million for the corresponding period in 2022. There was a net reversal of provision of inventories, included in the cost of sales amounted to approximately HK\$0.3 million as compared to a net provision of approximately HK\$0.2 million for the same period in 2022 to account for the decrease in slow-moving inventories.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$11.7 million for the nine months ended 30 September 2023 as compared to that of the nine months ended 30 September 2022. The overall gross margin increased from approximately 6.2% for the nine months ended 30 September 2022 to approximately 13.8% for the nine months ended 30 September 2023. The increase in overall gross margin was mainly due to the growth in repairs and service support segment which generates better gross profit margin than the sales and distribution segment.

Selling and distribution expenses

The Group managed to cut its selling and distribution expenses by approximately 70.2% for the nine months ended 30 September 2023. A major component of the selling and distribution expenses was staff costs, takeback and data wiping cost for used devices and warehousing charges. During the period, the Group has adjusted its business model for the sales and distribution business to improve efficiency and to save staff costs.

Administrative expenses

Administrative expenses slightly decreased by approximately 1.5% to approximately HK\$9.9 million for the nine months ended 30 September 2023. With improvements in operating efficiencies and rigorous financial policy, the Group has been able to keep its administrative expenses reasonably low.

Net profit for the period

The Group recorded a net profit of approximately HK\$4.8 million and a net profit of approximately HK\$5.7 million for the nine months ended 30 September 2023 and 2022, respectively. The Group recorded a net profit of approximately HK\$1.1 million for the three months ended 30 September 2023 and approximately HK\$2.9 million for the three months ended 30 June 2023. The Board considers that the profitability in the third quarter is generally in line with and comparable with the financial figures of the Group for the three months ended 30 June 2023 as disclosed in the interim report of the Company.

BUSINESS OUTLOOK

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

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

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

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

The transformation process is a continuous and on-going process. New measures or strategies may be formulated or implemented from time to time, depending on the availability and feasibility of the Group’s resources. The management anticipates additional fundraising activities may from time to time be required to support the working capital expenditure for such business development. This entails investment in expanding and revamping overseas organisation structure, and potential capital expenditures if it is deemed to strategically enhance our capabilities.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the nine months ended 30 September 2023, the Group financed its daily operations with internally generated resources. As at 30 September 2023, the Group had net current assets of approximately HK\$133,334,000 (31 December 2022: approximately HK\$142,314,000) and cash and cash equivalents amounted to approximately HK\$120,256,000 (31 December 2022: approximately HK\$138,122,000).

As at 30 September 2023, the gearing ratio, which is calculating on the basis of total debts over the total equity of the Group was approximately 5.5% (31 December 2022: approximately 8.3%). The decrease in gearing ratio was mainly due to a decrease in trade payables and contract liabilities.

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

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

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

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

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

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

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

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

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

Long position in Shares at 30 September 2023

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

Note:

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

Save as disclosed above, as of 30 September 2023, 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 any Shares and the underlying Shares, which were required to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

COMPETING BUSINESS

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

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

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

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

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

CORPORATE GOVERNANCE CODE

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

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three members, being the three independent non-executive Directors, namely Mr. Li Robin Kit Ling (chairman), Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben.

The primary duties of the Audit Committee are to review and oversee the financial reporting system, risk management and internal control systems of the Group. The Audit Committee is also responsible for, among other things, reviewing the Company's annual report and financial statements, quarterly reports and half-yearly report, reviewing significant financial reporting judgments contained therein and providing advice and comments thereon to the Board.

The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2023, this announcement and the quarterly report, and has provided advice and comments thereon.

By order of the Board

CircuTech International Holdings Limited

Mr. Chang Chuan-Wang

Chairman

Hong Kong, 9 November 2023

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

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

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

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