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 2019

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**") of the Company hereby announces the unaudited condensed consolidated results of the Group for the three months and six months ended 30 June 2019, together with the comparative unaudited figures for the corresponding periods in 2018, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 30 June		**Six months ended 30 June**	
		2019	2018	**2019**	2018
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*3*	**62,566**	99,853	**112,999**	190,100
Cost of sales		**(57,947)**	(98,774)	**(103,546)**	(181,937)
Gross profit		**4,619**	1,079	**9,453**	8,163
Other income		**796**	41	**1,563**	90
Selling and distribution costs		**(1,354)**	(1,420)	**(2,695)**	(2,623)
Administrative expenses		**(3,594)**	(5,884)	**(7,487)**	(10,526)
Research and development expenditures		**(386)**	(408)	**(774)**	(782)
Finance costs		**(20)**	–	**(45)**	–
Operating profit/(loss)		**61**	(6,592)	**15**	(5,678)
Share of net profit of an associate accounted for using the equity method		**62**	–	**182**	–
Profit/(loss) before income tax	*5*	**123**	(6,592)	**197**	(5,678)
Income tax credit/(expenses)	*6*	**54**	1,226	**(30)**	726
Profit/(loss) for the period		**177**	(5,366)	**167**	(4,952)

		Three months ended 30 June		Six months ended 30 June	
		2019	2018	**2019**	2018
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Other comprehensive income for the period:					
Item that may be reclassified to profit or loss					
Exchange differences arising on translating foreign operations		**(400)**	(2,206)	**(305)**	(2,136)
Other comprehensive income for the period		**(400)**	(2,206)	**(305)**	(2,136)
Total comprehensive income for the period		**(223)**	(7,572)	**(138)**	(7,088)
Profit/(loss) for the period attributable to:					
– Owners of the Company		**177**	(5,361)	**167**	(4,947)
– Non-controlling interests		**–**	(5)	**–**	(5)
		177	(5,366)	**167**	(4,952)
Total comprehensive income for the period attributable to:					
– Owners of the Company		**(247)**	(7,593)	**(144)**	(7,083)
– Non-controlling interests		**24**	21	**6**	(5)
		(223)	(7,572)	**(138)**	(7,088)
		HK cents per share	*HK cents per share*	***HK cents per share***	*HK cents per share*
Earnings/(loss) per share attributable to owners of the Company					
– Basic and diluted	*8*	**0.76**	(22.88)	**0.71**	(21.11)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2019** *HK$'000* **(unaudited)**	As at 31 December 2018 *HK$'000* (audited)
Assets			
Non-current assets			
Property, plant and equipment		**6,993**	8,158
Right-of-use assets		**1,350**	–
Interest in an associate		**7,014**	6,958
Derivative financial instrument		**7,654**	7,788
Financial asset at fair value through other comprehensive income		**1,492**	1,492
		24,503	24,396
Current assets			
Inventories		**57,310**	12,327
Trade and other receivables	*9*	**10,524**	7,600
Tax recoverable		**339**	–
Restricted bank deposits		**15,610**	31,220
Cash and cash equivalents		**63,330**	72,369
		147,113	123,516
Total assets		**171,616**	147,912

	Notes	As at 30 June 2019 HK$'000 (unaudited)	As at 31 December 2018 HK$'000 (audited)
Equity			
Share capital	*11*	**4,687**	4,687
Other reserves		**195,984**	196,295
Accumulated losses		**(68,770)**	(68,889)
Capital and reserves attributable to owners of the Company		**131,901**	132,093
Non-controlling interests		**(485)**	(491)
Total equity		**131,416**	131,602
Liabilities			
Current liabilities			
Trade and other payables	*10*	**29,217**	14,003
Lease liabilities		**1,334**	–
Contract liabilities		**9,291**	1,232
Tax payables		**305**	1,075
		40,147	16,310
Non-current liabilities			
Lease liabilities		**53**	–
Total liabilities		**40,200**	16,310
Total equity and liabilities		**171,616**	147,912

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. BASIS OF PREPARATION

The condensed consolidated interim financial statements for the six months ended 30 June 2019 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 condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2018, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2018, 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 2019 and policies described below.

2.1 Amended standards and interpretation adopted by the Group

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 2018, except for the adoption of new and amended standards and interpretation effective for the financial year ending 31 December 2019. The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2019.

Annual improvements project (amendments)	Annual improvements 2015-2017 cycle
HKAS 19 (amendments)	Plan amendment, curtailment or settlement
HKAS 28 (amendments)	Long-term interests in associates and joint ventures
HKFRS 9 (amendments)	Prepayment features with negative compensation
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

The adoption of the above amended standards and interpretation did not have a material impact on the Group's condensed consolidated interim financial information.

2.2 New standards adopted by the Group

The following new standard is mandatory for the first time for the financial year beginning 1 January 2019.

HKFRS 16	Leases

The Group had to change its accounting policies as a result of adopting the above new standard. The impact of the adoption of the standard and new accounting policies are set out below.

HKFRS 16 Leases

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. Lease payments include the following:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable; and

– variable lease payments that are based on an index or a rate.

The Group measured the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date. The opening balances of lease liabilities and the corresponding right-of-use assets have been adjusted as at 1 January 2019.

Each lease payment is allocated between the principal repayment of lease liability and finance cost. The finance cost is charged to the condensed consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In accordance with the transition provisions in HKFRS 16, the Group has adopted HKFRS 16 retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2019. Comparative information has not been restated. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets. Furthermore, the Group has used the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term lease.

The adoption of HKFRS 16 from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the condensed consolidated financial information. In accordance with the transitional provisions in HKFRS 16, comparative figures have not been restated.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	31 December 2018	**HKFRS 16**	**1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(unaudited)	(unaudited)
Condensed consolidated statement of financial position (extract)			
Non-current assets			
Right-of-use assets	–	2,013	2,013
Current liabilities			
Lease liabilities	–	(1,348)	(1,348)
Non-current liabilities			
Lease Liabilities	–	(713)	(713)
Equity			
Accumulated losses	(68,889)	(48)	(68,937)

The amount by each financial statements line item affected in the current period and period to date by the application of HKFRS 16 as compared to HKAS 17 that was previously in effect before the adoption of HKFRS 16 is as follows:

	For the six months ended 30 June 2019		
	Amounts without the adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amounts as reported**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Condensed consolidated statement of comprehensive income (extract)			
Administrative expenses			
Operating lease charges	(755)	719	(36)
Depreciation	(1,183)	(663)	(1,846)
Finance costs	–	(45)	(45)
Profit for the period attributable to:			
– Owners of the Company	156	11	167

	As at 30 June 2019		
	Amounts without the adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amounts as reported**
	HK$'000	*HK$'000*	*HK$'000*
	(unaudited)	(unaudited)	(unaudited)
Condensed consolidated statement of financial position (extract)			
Non-current assets			
Right-of-use assets	–	1,350	1,350
Current liabilities			
Lease liabilities	–	(1,334)	(1,334)
Non-current liabilities			
Lease Liabilities	–	(53)	(53)
Equity			
Accumulated losses	(68,733)	(37)	(68,770)

2.3 New and amended standards and interpretation not yet adopted by the Group

A number of new and amended standards are effective for annual periods beginning after 1 January 2019 and have not been adopted in preparing the condensed consolidated interim financial information.

		Effective for accounting periods beginning on or after
HKAS 1 (revised) and HKAS 8 (amendments)	Definition of material	1 January 2020
HKFRS 3 (amendments)	Business combination	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 10 and HKAS 28 (amendments)	Sales or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to have a significant effect on the Group's results and financial position.

3. REVENUE

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

	Three months ended 30 June		**Six months ended 30 June**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sales and distribution of IT products	**62,483**	99,762	**112,829**	189,918
Repairs and service support	**83**	91	**170**	182
Revenue from contracts with customers	**62,566**	99,853	**112,999**	190,100

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 4.

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 2019 and 2018, the Group's operating and reporting segments are as follows:

Sales and distribution of IT products	–	Design, manufacturing and marketing of video surveillance systems and distribution of 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 30 June 2019 and 2018 is as follows:

Six months ended 30 June 2019 (unaudited)

	Sales and distribution of IT products *HK$'000*	**Repairs and service support** *HK$'000*	**Total** *HK$'000*
Revenue			
External sales and segment revenue	**112,829**	**170**	**112,999**
Timing of revenue recognition			
– At a point in time	**112,829**	**–**	**112,829**
– Over time	**–**	**170**	**170**
	112,829	**170**	**112,999**
Segment profit	**3,259**	**33**	**3,292**
Other income			**1,563**
Unallocated corporate expenses *(Note)*			**(4,795)**
Finance costs			**(45)**
Operating profit			**15**
Share of net profit of an associate accounted for using the equity method			**182**
Profit before income tax			**197**

Three months ended 30 June 2019 (unaudited)

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	**62,483**	**83**	**62,566**
Timing of revenue recognition			
– At a point in time	**62,483**	**–**	**62,483**
– Over time	**–**	**83**	**83**
	62,483	**83**	**62,566**
Segment profit	**1,464**	**10**	**1,474**
Other income			**796**
Unallocated corporate expenses *(Note)*			**(2,189)**
Finance costs			**(20)**
Operating profit			**61**
Share of net profit of an associate accounted for using the equity method			**62**
Profit before income tax			**123**

Six months ended 30 June 2018 (unaudited)

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	189,918	182	190,100
Timing of revenue recognition			
– At a point in time	189,918	–	189,918
– Over time	–	182	182
	189,918	182	190,100
Segment profit	290	77	367
Other income			26
Unallocated corporate expenses *(Note)*			(6,071)
Loss before income tax			(5,678)

Three months ended 30 June 2018 (unaudited)

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	99,762	91	99,853
Timing of revenue recognition			
– At a point in time	99,762	–	99,762
– Over time	–	91	91
	99,762	91	99,853
Segment loss	(3,908)	38	(3,870)
Other income			24
Unallocated corporate expenses *(Note)*			(2,746)
Loss before income tax			(6,592)

Note:

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

Geographical information

The Group's business activities are conducted predominantly with customers in Asia and Europe 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 30 June		**Six months ended 30 June**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
North America	**8,703**	76,229	**24,439**	163,152
Europe	**28,498**	19,204	**32,626**	19,397
Asia	**25,105**	3,931	**55,493**	6,727
Africa	**260**	489	**441**	763
Other	**–**	–	**–**	61
	62,566	99,853	**112,999**	190,100

5. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is stated after charging and crediting the following:

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of property, plant and equipment	**593**	594	**1,183**	1,188
Depreciation of right-of-use assets	**324**	–	**663**	–
Interest expenses on lease liabilities	**20**	–	**45**	–
Interest income	**(158)**	(25)	**(325)**	(27)
Net foreign exchange loss/(gain)	**67**	1,333	**(10)**	1,410
Net provision of inventories (included in cost of sales)	**107**	4,556	**310**	4,895
Provision of trade receivables	**–**	77	**–**	84
Rental income	**(600)**	–	**(1,200)**	–

6. INCOME TAX CREDIT/(EXPENSES)

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2018: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Three months ended 30 June		Six months ended 30 June	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current income tax charge				
– Oversea taxation	**54**	(205)	**(30)**	(962)
Deferred income tax	**–**	1,431	**–**	1,688
Income tax credit/(expenses)	**54**	1,226	**(30)**	726

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

8. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Three months ended 30 June		**Six months ended 30 June**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit/(loss) for the period attributable to owners of the Company	**177**	(5,361)	**167**	(4,947)
Weighted average number of ordinary shares *(thousands)*	**23,434**	23,434	**23,434**	23,434
	HK cents per share	*HK cents per share*	***HK cents per share***	*HK cents per share*
Basic earnings/(loss) per share	**0.76**	(22.88)	**0.71**	(21.11)

(b) Diluted

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

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade receivables, net of provision	**1,197**	5,801
Deposit and other receivables	**3,915**	477
Financial assets at amortised cost	**5,112**	6,278
Prepayments	**5,412**	1,322
Total trade and other receivables	**10,524**	7,600

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 2019 and 31 December 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2019	As at 31 December 2018
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 1 month	**916**	5,239
1 to 2 months	**125**	–
2 to 3 months	**27**	432
Over 3 months	**129**	130
	1,197	5,801

10. TRADE AND OTHER PAYABLES

	As at 30 June 2019 *HK$'000* (unaudited)	As at 31 December 2018 *HK$'000* (audited)
Trade payables	**26,660**	10,290
Other tax payables	**157**	680
Accruals and other payables	**2,400**	3,033
	29,217	14,003

As at 30 June 2019 and 31 December 2018, the ageing analysis of the trade payables based on invoice date were as follows:

	As at 30 June 2019 *HK$'000* (unaudited)	As at 31 December 2018 *HK$'000* (audited)
Within 1 month	**26,660**	10,288
1 to 2 months	**–**	–
2 to 3 months	**–**	–
Over 3 months	**–**	2
	26,660	10,290

11. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2019 *'000* (unaudited)	31 December 2018 *'000* (audited)	30 June 2019 *HK$'000* (unaudited)	31 December 2018 *HK$'000* (audited)
Ordinary shares				
Issued and fully paid	**23,434**	23,434	**4,687**	4,687

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2019 (2018: Nil).

BUSINESS REVIEW

Sales and distribution of IT products

The Group offers a comprehensive and broad range of video surveillance products which have unique technologies, including five layers hacker resistance and best-in-class video compression technology sold under our own brand name. These technologies are complementary to one another, and provide customers with dedicated cost-efficient solutions. The Group directly and indirectly competes with large global vendors in form of pricing, information technology and range of services. Nevertheless, the Group is committed to continuously developing new technologies for targeted market in order to strengthen its market position and to improve profitability.

Since 2017, the Group addressed the commoditisation of video surveillance systems by broadening its products offering through distribution of third party IT products. The Group signed an agreement with a renowned IT brand to distribute third party IT products through our well-established wholesale selling network covering the North America, Asia, Europe, Middle East and Africa. The third party IT products are refurbished and end-of-life units, thus the Company extends the life of these product life in the post-sales circular economy. Our 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 has strong business bond with this renowned IT brand. The market price of the IT products fluctuates quickly due to new products introduction and the volatility of commodity prices. The Group will continue to manage its tied up working capital by reducing the inventory turnover days and mitigating the inventory risk, with an aim to shorten the cash conversion cycle.

Revenue from the sales and distribution of products is recognised when control of the products has transferred, being at the point the products are delivered to the customer's premise and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

During the period, the Group reviewed and re-evaluated its business model, with an aim to improve efficiency, and achieve a higher profit margin in the long run. The side effect of this adjustment in strategies caused a drop in the business volume of third party IT products being distributed by the Group. 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 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 is currently approaching a number of target customers and their service centers with an aim to providing services support business of electronic products.

For sales of services, revenue is recognised over time in the accounting period in which the services are rendered to customers. For fixed-price contracts of service support, revenue is recognised based on the actual service provided to the end of the reporting period as a proportion of the total services to be provided because the customer receives and uses the benefits simultaneously.

FINANCIAL REVIEW

Revenue

The Group's total revenue amounted to approximately HK$113.0 million for the six months ended 30 June 2019, representing a decrease of approximately 40.6% as compared to that of approximately HK$190.1 million for the six months ended 30 June 2018, attributable to the adjustment in strategies in the sales and distribution segment as aforesaid.

Segment revenue by business line

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales and distribution of IT products	**112,829**	189,918
Repairs and services support	**170**	182
	112,999	190,100

For the six months ended 30 June 2019, the revenue from sales and distribution of IT products continued to be the largest source of income of the Group which accounted for approximately 99.8% of the revenue of the Group. Revenue from sales and distribution of IT products consists of video surveillance products carrying our own brand name and third-party IT products. Such decrease in revenue is mainly driven by the Group's review and re-evaluation of its business model to achieve a higher profit margin in long run.

Majority of the repairs and service support revenue was generated from the supporting services for video surveillance products carrying our own brand name. The Group intends to expand its service support business by sourcing spare parts of electronic products for its target customers, which included renowned IT brands and their service centers.

Segment revenue by geographical location

	Six months ended 30 June	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
North America	**24,439**	163,152
Europe	**32,626**	19,397
Asia	**55,493**	6,727
Africa	**441**	763
Other	**–**	61
	112,999	190,100

For the six months ended 30 June 2019, the Asia market overtook North America and contributed approximately 49.1% (2018: 3.5%) of the Group's revenue. Europe continued to be the second largest market of the Group which contributed approximately 28.9% (2018: 10.2%) of the Group's revenue. North America contributed approximately 21.6% (2018: 85.8%) of the Group's revenue. 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 decrease in business volume, the cost of sales for the six months ended 30 June 2019 decreased to approximately HK$103.5 million, as compared to that of approximately HK$181.9 million for the corresponding period in 2018. Provision of inventories, included in the cost of sales, decreased to approximately HK$0.3 million as compared to HK$4.9 million for the same period in 2018 to account for the decrease in slow-moving inventories.

Gross profit and gross profit margin

Gross profit increased by approximately HK$1.3 million for the six months ended 30 June 2019 as compared to that of the six months ended 30 June 2018, attributable to the adjustment in strategies as aforesaid. The overall gross profit margin increased to approximately 8.4% for the six months ended 30 June 2019 due to the Group's recent efforts in fine-tuning its strategies and re-evaluating its business model, client and product mix so as to achieve a higher profit margin in the long run.

Selling and distribution expenses

Selling and distribution expenses slightly increased to approximately HK$2.7 million during the six months ended 30 June 2019. A major component of the selling and distribution expenses was staff costs and commission and warehousing charges.

Administrative expenses

Administrative expenses decreased by approximately 28.9% to approximately HK$7.5 million during the six months ended 30 June 2019. The Board considers that the improvement is mainly attributable to decrease in professional fee, strengthened control over operations which streamlined operating procedures and increased the cost efficiency to achieve better performance for the continuous development of the Group.

Net profit/loss for the period

The Group recorded a net profit of approximately HK$0.2 million and net loss of approximately HK$5.0 million for the six months ended 30 June 2019 and 2018, respectively. The net profit for the six months ended 30 June 2019 was contributed by the net profit of approximately HK0.2 million for the three months ended 30 June 2019 due to strengthened control over operations. The Board considers that the gentle swing in 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 2019 as disclosed in the quarterly report of the Company. The Group recorded a net loss of approximately HK$0.01 million for the three months ended 31 March 2019.

Inventories and trade receivables

As at 30 June 2019, the inventory level increased by approximately HK$45.0 million to approximately HK$57.3 million (31 December 2018: HK$12.3 million). The Group has ramped up the inventory level as a strong demand of the IT products is expected in the coming quarter.

Trade receivables decreased by HK$4.6 million to approximately HK$1.2 million as at 30 June 2019 (31 December 2018: HK$5.8 million). The Group maintain strict control on credit line granted to customers. During the period, customers of the Group maintain good credit history and no material impairment of trade receivables is recognised.

Key financial performance

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

BUSINESS OUTLOOK

The Group expects a stronger demand for its IT products in the second half of the year though the IT product distribution business continues to be very competitive. The management is currently conducting a strategic review on its business operations and may adjust its business portfolio in a bid to increase customer base and generate better and more stable returns to the shareholders. The Group may allocate more resources to ramp-up the repair and services support business portfolio in a bid to gain better recurring returns to the shareholders. This might entail providing repair services of electronic products for renowned IT brands and their services centers.

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 its capabilities.

EMPLOYEE INFORMATION

As at 30 June 2019, the Group employed 30 (30 June 2018: 23) full time employees in Hong Kong and 5 (30 June 2018: 7) full time employees in the PRC and overseas offices. The Group's staff costs, including directors' emoluments, employees' salaries and retirement benefits schemes contributions amounted to approximately HK$6,262,000 (30 June 2018: HK$5,970,000).

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.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the six months ended 30 June 2019, 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 30 June 2019, the Group had net current assets of approximately HK$106,966,000 (31 December 2018: HK$107,206,000) and cash and cash equivalents amounted to approximately HK$63,330,000 (31 December 2018: HK$72,369,000).

As at 30 June 2019, the Group did not have any outstanding borrowings. Hence, no gearing ratio of the Group has been presented (31 December 2018: 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:–

	Revised use of proceeds from the Rights Issue	**Amount utilised up to 30 June 2019**	**Amount unutilised as at 30 June 2019**	**Expected time of full utilisation of the remaining balance**
	HK$'000	*HK$'000*	*HK$'000*	
Expansion of the repairs and service support business	7,600	2,028	5,572	Third quarter in 2020
Development of IT products trading business	73,000	73,000	–	N/A
Strategic investment in the business segment of "circular economy"	17,800	17,800	–	N/A
	98,400	92,828	5,572	

Up to 30 June 2019, an accumulated amount of approximately HK$2,028,000 has been applied to facilitating the expansion of the Group's existing repairs and service support business. Certain overseas entities and offices have been incorporated and set up. The Group is also strengthening its IT system in meeting the rapid development of the repairs and service support business.

Up to 30 June 2019, the proceeds of HK$73,000,000 for facilitating the development of the Group's existing IT products trading business were fully utilised.

Up to 30 June 2019, the proceeds of HK$17,800,000 for the strategic investment in the business segment of "circular economy" were fully utilised. 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.

CAPITAL STRUCTURE

As at 30 June 2019, 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 2019 (31 December 2018: Nil).

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment during the six months ended 30 June 2019 (31 December 2018: 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 2019 (31 December 2018: Nil).

CHARGE ON ASSETS

As at 30 June 2019, a bank deposit of US$2,000,000 (equivalent to approximately HK$15,610,000) was pledged to a bank for the banking facility amounting to US$4,000,000 (equivalent to approximately HK$31,220,000) granted to the Group (31 December 2018: 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$62,440,000). Such banking facility was drawn by the Group to issue a standby letter of credit to a vendor in the financial period ended 30 June 2019.

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 2019, 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 2018: 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 2019, the Group did not have any contingent liabilities (31 December 2018: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As of 30 June 2019, 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 2019 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company 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 2019.

SUBSTANTIAL SHAREHOLDERS

As of 30 June 2019, so far as is known to the Directors and chief executive of the Company, the interests and short positions of the persons or corporations 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 ("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 of 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 2019, 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 shareholders of the Company 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 2019, the Directors were not aware of any business or interest of the Directors, controlling shareholders of the Company and their respective close associates 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 2019, 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 2019, 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

During the six months ended 30 June 2019, 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 except for Code Provisions A.2.1, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

During the period from 1 January 2019 to 30 May 2019, Dr. Woo Kwok Fai Louis, the then executive Director, performed both the roles of the chairman and chief executive officer. Although Dr. Woo Kwok Fai Louis performed both roles, the divisions of responsibilities between the two roles were clearly defined. The role of the chairman was to monitor the duties and performance of the Board, whereas the role of chief executive officer was to manage the Group's business. The Board believed that vesting the roles of both chairman and chief executive officer in the same person provided the Company with strong and consistent leadership and allowed for effective and efficient planning and implementation of business decisions and strategies.

For the purpose of achieving better corporate governance, following the resignation of Dr. Woo Kwok Fai Louis with effect from 31 May 2019, Mr. Hong Sung-Tai, has been re-designated from a non-executive Director to an executive Director and appointed as the chairman; and Mr. Tsai Biing-Hann has been appointed as the chief executive officer. With the resignation of Dr. Woo Kwok Fai Louis and the appointment of Mr. Hong Sung-Tai and Mr. Tsai Biing-Hann, the Company has complied with Code Provision A.2.1 under the Corporate Governance Code since 31 May 2019.

REVIEW OF INTERIM FINANCIAL INFORMATION

The unaudited interim financial information 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 condensed consolidated interim financial statements of the Group for the six months ended 30 June 2019, this announcement and the interim report, and has provided advice and comments thereon.

OTHER EVENTS

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

With effect from 11 July 2019, the Hong Kong Branch Share Registrar and Transfer Office of the Company, Tricor Tengis Limited has been changed to Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

Change of auditor

PricewaterhouseCoopers ("**PwC**") has resigned as the auditor of the Company with effect from 5 July 2019. BDO Limited was appointed as the auditor of the Company with effect from 5 July 2019 to fill the casual vacancy following the resignation of PwC and to hold the office as auditor until the conclusion of the next annual general meeting of the Company.

CHANGE OF DIRECTORS AND CHANGES TO INFORMATION IN RESPECT OF DIRECTORS AND CHIEF EXECUTIVES

Pursuant to rule 17.50A of the GEM Listing Rules, the changes to information of Directors and chief executives all with effect from 31 May 2019 are set out below:

Dr. Woo Kwok Fai Louis resigned as an executive Director, the chairman of the Board ("**Chairman**"), the chief executive officer of the Company (the "**CEO**"), the compliance officer of the Company (the "**Compliance Officer**"), a member of the remuneration committee of the Company (the "**Remuneration Committee**"), an authorised representative of the Company (the "**Authorised Representative**") under the GEM Listing Rules and the authorised representative of the Company for accepting service of process or notice (the "**Process Agent**") on the Company's behalf in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**"),

Mr. Cheng Michael Ichiang resigned as an executive Director, the chief financial officer of the Company (the "**CFO**"), a member of each of the Remuneration Committee and the nomination committee (the "**Nomination Committee**") of the Company and an Authorised Representative.

Mr. Hong Sung-Tai has been re-designated from a non-executive Director to an executive Director and appointed as the Chairman and a member of the Remuneration Committee.

Ms. Chen Ching-Hsuan, an executive Director, has been appointed as the chief operating officer of the Company.

Mr. Tsai Biing-Hann has been appointed as an executive Director, the CEO, the Compliance Officer, a member of each of the Remuneration Committee and the Nomination Committee and the Authorised Representative.

Mr. Han Chun-Wei has been appointed as an executive Director, the CFO and the Authorised Representative.

Mr. Kao Chao Yang has been appointed as a non-executive Director.

Mr. Tam Hoi Kwong, the company secretary of the Company, has been appointed as the Process Agent under the Companies Ordinance.

By order of the Board
CircuTech International Holdings Limited
Mr. Hong Sung-Tai
Chairman

Hong Kong, 9 August 2019

As at the date hereof, the executive Directors are Mr. Hong Sung-Tai, Ms. Chen Ching-Hsuan, Mr. Tsai Biing-Hann and Mr. Han Chun-Wei; 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 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.