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CircuTech International Holdings Limited
訊 智 海 國 際 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8051)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 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.

The board (the "**Board**") of directors (the "**Directors**") of CircuTech International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2019 ("**FY2019**"), together with the audited comparative figures for the year ended 31 December 2018 ("**FY2018**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**For the year ended 31 December 2019** *HK$'000*	2018 *HK$'000*
Revenue	*3*	**332,884**	299,109
Cost of sales	*5*	**(309,201)**	(284,271)
Gross profit		**23,683**	14,838
Other income	*4*	**3,860**	252
Selling and distribution costs	*5*	**(6,079)**	(5,754)
Administrative expenses	*5*	**(17,047)**	(22,081)
Research and development expenditures	*5*	**(1,589)**	(1,550)
Finance costs		**(74)**	–
Operating profit/(loss)		**2,754**	(14,295)
Share of net profit of an associate accounted for using the equity method		**625**	523
Profit/(loss) before income tax		**3,379**	(13,772)
Income tax expenses	*6*	**(890)**	(834)
Profit/(loss) for the year		**2,489**	(14,606)
Other comprehensive income for the year:			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(697)**	(1,963)
Item that will not be reclassified to profit or loss			
Changes in the fair value of equity investment at fair value through other comprehensive income		**19**	30
		(678)	(1,933)
Total comprehensive income for the year		**1,811**	(16,539)
Profit/(loss) for the year attributable to:			
– Owners of the Company		**2,489**	(14,601)
– Non-controlling interests		**–**	(5)
		2,489	(14,606)
Total comprehensive income for the year attributable to:			
– Owners of the Company		**1,815**	(16,552)
– Non-controlling interests		**(4)**	13
		1,811	(16,539)
Earnings/(loss) per share attributable to owners of the Company *(HK cents per share)*			
– Basic and diluted	*7*	**10.62**	(62.31)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 31 December** **2019** ***HK$'000***	2018 *HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**5,809**	8,158
Right-of-use assets		**732**	–
Interest in an associate		**6,741**	6,958
Derivative financial instruments		**8,247**	7,788
Financial asset at fair value through other comprehensive income		**1,511**	1,492
		23,040	24,396
Current assets			
Inventories		**30,849**	12,327
Trade and other receivables	*9*	**2,555**	7,600
Restricted bank deposits		**31,220**	31,220
Cash and cash equivalents		**63,021**	72,369
		127,645	123,516
Total assets		**150,685**	147,912
Equity			
Share capital		**4,687**	4,687
Other reserves		**195,621**	196,295
Accumulated losses		**(66,448)**	(68,889)
Capital and reserves attributable to owners of the Company		**133,860**	132,093
Non-controlling interests		**(495)**	(491)
Total equity		**133,365**	131,602
Liabilities			
Current liabilities			
Trade and other payables	*10*	**16,347**	14,003
Lease liabilities		**758**	–
Contract liabilities		**26**	1,232
Tax payables		**180**	1,075
		17,311	16,310
Total assets less current liabilities		**133,374**	131,602
Non-current liabilities			
Lease liabilities		**9**	–
Total liabilities		**17,320**	16,310
Total equity and liabilities		**150,685**	147,912

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Attributable to owners of the Company					
	Share capital	Other reserves	Accumulated losses	Total	Non-controlling interests	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 January 2018	4,687	198,246	(54,288)	148,645	(504)	148,141
Loss for the year	–	–	(14,601)	(14,601)	(5)	(14,606)
Other comprehensive income	–	(1,951)	–	(1,951)	18	(1,933)
Total comprehensive income for the year	–	(1,951)	(14,601)	(16,552)	13	(16,539)
At 31 December 2018 and 1 January 2019	4,687	196,295	(68,889)	132,093	(491)	131,602
Change in accounting policy *(Note 2)*	–	–	(48)	(48)	–	(48)
At 1 January 2019 (restated)	4,687	196,295	(68,937)	132,045	(491)	131,554
Profit for the year	–	–	2,489	2,489	–	2,489
Other comprehensive income	–	(674)	–	(674)	(4)	(678)
Total comprehensive income for the year	–	(674)	2,489	1,815	(4)	1,811
At 31 December 2019	4,687	195,621	(66,448)	133,860	(495)	133,365

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of preparation

(i) Statement of compliance

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

(ii) Basis of measurement

These consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets (including derivative instruments) measured at fair value.

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

Changes in accounting policies and disclosures

(a) New and amended standards and interpretations as adopted by the Group

The following new and amended standards and interpretations are mandatory for the first time for the financial year beginning 1 January 2019:

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

- HKFRS 16, Leases
- HK(IFRIC)-Int 23, Uncertainty over Income Tax Treatments
- Amendments to HKFRS 9, Prepayment Features with Negative Compensation
- Amendments to HKAS 19, Plan Amendment, Curtailment or Settlement
- Amendments to HKAS 28, Long-term Interests in Associates and Joint Ventures
- Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23 included in Annual Improvements to HKFRSs 2015-2017 Cycle

The impact of the adoption of HKFRS 16 Leases have been summarised in below. The other new or amended HKFRSs that are effective from 1 January 2019 did not have any significant impact on the Group's accounting policies.

(i) Impact of the adoption of HKFRS 16

HKFRS 16 brings significant changes in accounting treatment for lease accounting, primarily for accounting for lessees. It replaces HKAS 17 Leases ("**HKAS 17**"), HK(IFRIC)-Int 4 Determining whether an Arrangement contains a Lease ("**HK(IFRIC) – Int 4**"), HK(SIC)-Int 15 Operating Leases-Incentives and HK(SIC)-Int 27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. From a lessee's perspective, almost all leases are recognised in the statement of financial position as right-of-use assets and lease liabilities, with the narrow exception to this principle for leases which the underlying assets are of low-value or are determined as short-term leases. From a lessor's perspective, the accounting treatment is substantially unchanged from HKAS 17. For details of HKFRS 16 regarding its new definition of a lease, its impact on the Group's accounting policies and the transition method adopted by the Group as allowed under HKFRS 16, please refer to section (ii) to (v) below.

The Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application. The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The following table summarised the impact of transition to HKFRS 16 on statement of financial position as of 31 December 2018 to that of 1 January 2019:

	HK$'000
Statement of financial position as at 1 January 2019	
Right-of-use assets	2,013
Lease liabilities (non-current)	713
Lease liabilities (current)	1,348
Accumulated losses	48

The following reconciliation explains how the operating lease commitments disclosed applying HKAS 17 at the end of 31 December 2018 could be reconciled to the lease liabilities at the date of initial application recognised in the statement of financial position as at 1 January 2019:

	HK$'000
Reconciliation of operating lease commitments to lease liabilities	
Operating lease commitments as of 31 December 2018	1,276
Less: short term leases for which lease terms end within 31 December 2019	(6)
Add: leases included in extension option which the Group considers reasonably certain to exercise	876
Less: future interest expenses	(85)
Total lease liabilities as of 1 January 2019	2,061

The weighted average lessee's incremental borrowing rate applied to lease liabilities recognised in the statement of financial position as at 1 January 2019 was 5.125%.

(ii) The new definition of a lease

Under HKFRS 16, a lease is defined as a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A contract conveys the right to control the use of an identified asset for a period of time when the customer, throughout the period of use, has both: (a) the right to obtain substantially all of the economic benefits from use of the identified asset and (b) the right to direct the use of the identified asset.

For a contract that contains a lease component and one or more additional lease or non-lease components, a lessee shall allocate the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components, unless the lessee apply the practical expedient which allows the lessee to elect, by class of underlying asset, not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

The Group has elected not to separate non-lease components and account for all each lease component and any associated non-lease components as a single lease component for all leases.

(iii) Accounting as a lessee

Under HKAS 17, a lessee has to classify a lease as an operating lease or a finance lease based on the extent to which risks and rewards incidental to ownership of a lease asset lie with the lessor or the lessee. If a lease is determined as an operating lease, the lessee would recognise the lease payments under the operating lease as an expense over the lease term. The asset under the lease would not be recognised in the statement of financial position of the lessee.

Under HKFRS 16, all leases (irrespective of they are operating leases or finance leases) are required to be capitalised in the statement of financial position as right-of-use assets and lease liabilities, but HKFRS 16 provides accounting policy choices for an entity to choose not to capitalise (i) leases which are short-term leases and/or (ii) leases for which the underlying asset is of low-value. The Group has elected not to recognise right-of-use assets and lease liabilities for low-value assets and leases for which at the commencement date have a lease term less than 12 months. The lease payments associated with those leases have been expensed on straight-line basis over the lease term.

The Group recognised a right-of-use asset and a lease liability at the commencement date of a lease.

Right-of-use asset

The right-of-use asset should be recognised at cost and would comprise: (i) the amount of the initial measurement of the lease liability (see below for the accounting policy to account for lease liability); (ii) any lease payments made at or before the commencement date, less any lease incentives received; (iii) any initial direct costs incurred by the lessee; and (iv) an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The Group measures the right-of-use assets applying a cost model. Under the cost model, the Group measures the right-to-use at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liability.

Lease liability

The lease liability should be recognised at the present value of the lease payments that are not paid at the date of commencement of the lease. The lease payments shall be discounted using the interest rate implicit in the lease, if that rate can be readily determined. If that rate cannot be readily determined, the Group shall use the Group's incremental borrowing rate.

The following payments for the right-to-use on the underlying asset during the lease term that are not paid at the commencement date of the lease are considered to be lease payments: (i) fixed payments less any lease incentives receivable; (ii) variable lease payments that depend on an index or a rate, initially measured using the index or rate as at commencement date; (iii) amounts expected to be payable by the lessee under residual value guarantees; (iv) the exercise price of a purchase option if the lessee is reasonably certain to exercise that option; and (v) payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

Subsequent to the commencement date, a lessee shall measure the lease liability by: (i) increasing the carrying amount to reflect interest on the lease liability; (ii) reducing the carrying amount to reflect the lease payments made; and (iii) remeasuring the carrying amount to reflect any reassessment or lease modifications, e.g., a change in future lease payments arising from change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

(iv) Accounting as a lessor

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

(v) Transition

As mentioned above, the Group has applied HKFRS 16 using the cumulative effect approach and recognised all the cumulative effect of initially applying HKFRS 16 as an adjustment to the opening balance of accumulated losses at the date of initial application (1 January 2019). The comparative information presented in 2018 has not been restated and continues to be reported under HKAS 17 and related interpretations as allowed by the transition provision in HKFRS 16.

The Group has recognised the lease liabilities at the date of 1 January 2019 for leases previously classified as operating leases applying HKAS 17 and measured those lease liabilities at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at 1 January 2019.

The Group has elected to recognise the right-of-use assets at 1 January 2019 for leases previously classified operating leases under HKAS 17 as if HKFRS 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate at the date of initial application. For these right-of-use assets, the Group has applied HKAS 36 Impairment of Assets at 1 January 2019 to assess if there was any impairment as on that date.

The Group has also applied the follow practical expedients: (i) applied a single discount rate to a portfolio of leases with reasonably similar characteristics; (ii) applied the exemption of not to recognise right-of-use assets and lease liabilities for leases with term that will end within 12 months of the date of initial application (1 January 2019) and accounted for those leases as short-term leases; (iii) exclude the initial direct costs from the measurement of the right-of-use asset at 1 January 2019; and (iv) used hindsight in determining the lease terms if the contracts contain options to extend or terminate the leases.

In addition, the Group has also applied the practical expedients such that: (i) HKFRS 16 is applied to all of the Group's lease contracts that were previously identified as leases applying HKAS 17 and HK(IFRIC)-Int 4; and (ii) not to apply HKFRS 16 to contracts that were not previously identified as containing a lease under HKAS 17 and HK(IFRIC)-Int4.

HK(IFRIC)-Int 23 – Uncertainty over Income Tax Treatments

The Interpretation supports the requirements of HKAS 12, Income Taxes, by providing guidance over how to reflect the effects of uncertainty in accounting for income taxes.

Under the Interpretation, the entity shall determine whether to consider each uncertain tax treatment separately or together based on which approach better predicts the resolution of the uncertainty. The entity shall also assume the tax authority will examine amounts that it has a right to examine and have full knowledge of all related information when making those examinations. If the entity determines it is probable that the tax authority will accept an uncertain tax treatment, then the entity should measure current and deferred tax in line with its tax filings. If the entity determines it is not probable, then the uncertainty in the determination of tax is reflected using either the "most likely amount" or the "expected value" approach, whichever better predicts the resolution of the uncertainty.

Amendments to HKAS 19 – Plan amendments, Curtailment or Settlement

The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company should use updated actuarial assumptions to determine its current service cost and net interest for the period. Additionally, the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

Amendments to HKFRS 9 – Prepayment Features with Negative Compensation

The amendments clarify that prepayable financial assets with negative compensation can be measured at amortised cost or at fair value through other comprehensive income if specified conditions are met – instead of at fair value through profit or loss.

Amendments to HKAS 28 – Long-term Interests in Associates and Joint Ventures

The amendment clarifies that HKFRS 9 applies to long-term interests ("**LTI**") in associates or joint ventures which form part of the net investment in the associates or joint ventures and stipulates that HKFRS 9 is applied to these LTI before the impairment losses guidance within HKAS 28.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 3, Business Combinations

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 3 which clarifies that when a joint operator of a business obtains control over a joint operation, this is a business combination achieved in stages and the previously held equity interest should therefore be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKFRS 11, Joint Arrangements

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKFRS 11 which clarify that when a party that participates in, but does not have joint control of, a joint operation which is a business and subsequently obtains joint control of the joint operation, the previously held equity interest should not be remeasured to its acquisition date fair value.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 12, Income Taxes

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 12 which clarify that all income tax consequences of dividends are recognised consistently with the transactions that generated the distributable profits, either in profit or loss, other comprehensive income or directly in equity.

Annual Improvements to HKFRSs 2015-2018 Cycle – Amendments to HKAS 23, Borrowing Costs

The amendments issued under the annual improvements process make small, non-urgent changes to standards where they are currently unclear. They include amendments to HKAS 23 which clarifies that a borrowing made specifically to obtain a qualifying asset which remains outstanding after the related qualifying asset is ready for its intended use or sale would become part of the funds an entity borrows generally and therefore included in the general pool.

(b) New/revised HKFRSs that have been issued but are not yet effective

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

Amendments to HKFRS 3	Definition of a business[1]
Amendments to HKAS 1 and HKAS 8	Definition of material[1]
HKFRS 17	Insurance Contracts[2]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]

1 Effective for annual periods beginning on or after 1 January 2020

2 Effective for annual periods beginning on or after 1 January 2021

3 The amendments were originally intended to be effective for periods beginning on or after 1 January 2018. The effective date has now been deferred/removed. Early application of the amendments continue to be permitted.

Amendments to HKFRS 3 – Definition of a business

The amendments clarify that a business must include, as a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs, together with providing extensive guidance on what is meant by a "substantive process".

Additionally, the amendments remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs, whilst narrowing the definition of "outputs" and a "business" to focus on returns from selling goods and services to customers, rather than on cost reductions. An optional concentration test has also been added that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

Amendments to HKAS 1 and HKAS 8 – Definition of material

The amendments clarify the definition and explanation of "material", aligning the definition across all HKFRS Standards and the Conceptual Framework, and incorporating supporting requirements in HKAS 1 into the definition.

HKFRS 17 – Insurance Contracts

HKFRS 17 will replace HKFRS 4 as a single principle-based standard for the recognition, measurement, presentation and disclosure of insurance contracts in the financial statements of the issuers of those contracts.

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

The amendments clarify the extent of gains or losses to be recognised when an entity sells or contributes assets to its associate or joint venture. When the transaction involves a business the gain or loss is recognised in full, conversely when the transaction involves assets that do not constitute a business the gain or loss is recognised only to the extent of the unrelated investors' interests in the joint venture or associate.

The Group is not yet in a position to state whether these new pronouncements will result in substantial changes to the Group's accounting policies and financial statements.

3 SEGMENT INFORMATION

The Group derives the following types of revenue:

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Sales and distribution of IT products	**332,522**	298,728
Repairs and service support	**362**	381
Total revenue	**332,884**	299,109

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

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

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

(i) Sales and distribution of IT products: this part of business designs, manufactures and markets video surveillance systems and distributes third party IT products; and

(ii) Repairs and service support: repairs, maintenance and other service support for electronic products are provided under this part of business.

No sales between segments are carried out during the year ended 31 December 2019 and 2018. The revenue from external parties is measured in the same way as in the consolidated statement of comprehensive income.

Interest income from bank deposits, interest on lease liabilities and corporate expenses are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Segment assets consist primarily of property, plant and equipment, trade and other receivables and inventory. Corporate assets are excluded from segment assets. Segment liabilities primarily comprise trade and other payables. They exclude tax payables, lease liabilities and corporate liabilities. Corporate assets and liabilities are not allocated to the reportable segments as they are managed on a central basis or at corporate level.

The segment information for the year ended and as at 31 December 2019 is as follows:

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue from external customers	**332,522**	**362**	**332,884**
Time of revenue recognition			
– At a point in time	**332,522**	**–**	**332,522**
– Over time	**–**	**362**	**362**
Segment profit	**10,008**	**56**	**10,064**
Interest income from bank deposits			**635**
Interest on lease liabilities			**(74)**
Unallocated corporate expenses *(Note)*			**(7,871)**
Operating profit			**2,754**
Share of net profit of an associate accounted for using the equity method			**625**
Profit before income tax			**3,379**
Income tax expenses			**(890)**
Profit for the year			**2,489**

	For the year ended 31 December 2019			
	Sales and distribution of IT products	Repairs and service support	Unallocated	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Depreciation of property, plant and equipment	**105**	**–**	**2,263**	**2,368**
Depreciation of right-of-use assets	**–**	**–**	**1,349**	**1,349**
Reversal of provision for inventories	**(51)**	**–**	**–**	**(51)**
Write-off of inventories	**3**	**–**	**–**	**3**
Additions to non-current assets	**97**	**–**	**–**	**97**

	Sales and distribution of IT products	Repairs and service support	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	**33,099**	**–**	**33,099**
Unallocated corporate assets			**117,586**
Total assets per consolidated statement of financial position			**150,685**
Reportable segment liabilities	**14,867**	**–**	**14,867**
Tax payables			**180**
Unallocated corporate liabilities			**2,273**
Total liabilities per consolidated statement of financial position			**17,320**

The segment information for the year ended and as at 31 December 2018 is as follows:

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue from external customers	298,728	381	299,109
Time of revenue recognition			
– At a point in time	298,728	–	298,728
– Over time	–	381	381
Segment (loss)/profit	(1,409)	173	(1,236)
Interest income from bank deposits			233
Unallocated corporate expenses *(Note)*			(13,292)
Operating loss			(14,295)
Share of net profit of an associate accounted for using the equity method			523
Loss before income tax			(13,772)
Income tax expenses			(834)
Loss for the year			(14,606)

	For the year ended 31 December 2018			
	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Unallocated *HK$'000*	Total *HK$'000*
Depreciation of property, plant and equipment	104	–	2,263	2,367
Loss on disposal of property, plant and equipment	45	–	–	45
Reversal of provision for impairment of trade receivables	(10)	–	–	(10)
Provision for inventories	1,517	–	–	1,517
Write-off of inventories	110	–	–	110
Additions to non-current assets	160	–	–	160

	Sales and distribution of IT products	Repairs and service support	Total
	HK$'000	*HK$'000*	*HK$'000*
Reportable segment assets	18,997	–	18,997
Unallocated corporate assets			128,915
Total assets per consolidated statement of financial position			147,912
Reportable segment liabilities	13,502	–	13,502
Tax payables			1,075
Unallocated corporate liabilities			1,733
Total liabilities per consolidated statement of financial position			16,310

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

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

	Revenue from external customers		**Non-current assets**	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North America	**136,437**	189,990	**3**	5
Asia	**104,531**	37,953	**6,419**	8,158
Europe	**90,980**	69,415	**136**	22
Africa	**827**	1,678	**–**	–
Other	**109**	73	**–**	–
	332,884	299,109	**6,558**	8,185

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

	2019	2018
	HK$'000	*HK$'000*
Customer A	**89,764**	152,280
Customer B	**46,513**	*
Customer C	**43,008**	*

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

(a) Contract liabilities

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

	2019	2018
	HK$'000	*HK$'000*
Contract liabilities related to sales and distribution of IT products	**26**	1,232

Contract liabilities represent advanced payments received from customers for goods that have not yet been delivered to the customers. As at 31 December 2019 and 2018, the contract liabilities mainly included the advanced payments received from individual customers for sales of IT products after the end of respective reporting period.

(b) Revenue recognised in relation to contract liabilities

	2019	2018
	HK$'000	*HK$'000*
Balance as at 1 January	**1,232**	6,883
Decrease in contract liabilities as a result of recognising revenue during the year that was included in the contract liabilities at the beginning of the year	**(1,232)**	(6,832)
Increase in contract liabilities as a result of advanced payments received	**26**	1,181
Balance as at 31 December	**26**	1,232

4 OTHER INCOME

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Rental income	**2,400**	–
Fair value gain on derivative financial instruments	**706**	–
Interest income from bank deposits	**635**	233
Others	**119**	19
	3,860	252

5 EXPENSE BY NATURE

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Auditors' remuneration		
– Audit services	**600**	979
– Non-audit services	**100**	350
Cost of inventories sold	**308,575**	281,939
Depreciation charge		
– Property, plant and equipment	**2,368**	2,367
– Right-of-use-assets included within:		
– Leasehold land and buildings	**1,200**	–
– Motor vehicles	**149**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	2,316
Employee benefits expenses, including directors' emoluments	**13,384**	12,890
Short-term leases expenses	**50**	–
Loss on disposal of property, plant and equipment	**–**	45
Net foreign exchange loss	**261**	2,577
Impairment loss on interest in an associate	**603**	–
(Net reversal of provision)/net provision for inventories (included in cost of sales)	**(51)**	1,517
Write-off of inventories	**3**	110
Reversal of provision for impairment of trade receivables	**–**	(10)

6 INCOME TAX EXPENSES

Taxation on profit/(loss) has been calculated on the estimated assessable profit/(loss) for the year at the rates of taxation prevailing in the countries/places in which the Group operates.

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Current tax		
– Tax for the year	**810**	834
– Under provision in respect of prior year	**80**	–
	890	834

7 EARNINGS/LOSS PER SHARE

7.1 Basic earnings/(loss) per share

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

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Profit/(loss) attributable to the ordinary equity holders of the Company used in calculating basic earnings/(loss) per share	**2,489**	(14,601)
Weighted average number of ordinary shares used as the denominator in calculating basic earnings/(loss) per share *('000)*	**23,434**	23,434
Basic earnings/(loss) per share attributable to the ordinary equity holders of the Company *(HK cents per share)*	**10.62**	(62.31)

7.2 Diluted earnings/(loss) per share

Diluted earnings/(loss) per share is equal to basic earnings/(loss) per share as there was no dilutive potential share outstanding during the year (2018: same).

8 DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2019 (2018: nil).

9 TRADE AND OTHER RECEIVABLES

	2019	2018
	HK$'000	*HK$'000*
Trade receivables	**992**	5,801
Deposits and other receivables	**501**	477
Financial assets at amortised cost	**1,493**	6,278
Prepayments	**1,062**	1,322
Total trade and other receivables	**2,555**	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. At 31 December 2019, the ageing analysis of the trade receivables based on invoice date were as follows:

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**735**	5,239
2 to 3 months	**255**	432
Over 3 months	**2**	130
	992	5,801

10 TRADE AND OTHER PAYABLES

	2019	2018
	HK$'000	*HK$'000*
Trade payables	**11,796**	10,290
Deposit received	**600**	–
Other tax payables	**902**	680
Accruals and other payables	**3,049**	3,033
	16,347	14,003

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

	2019	2018
	HK$'000	*HK$'000*
Within 1 month	**11,796**	10,288
2 to 3 months	**–**	–
Over 3 months	**–**	2
	11,796	10,290

11 EVENT OCCURRING AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus (COVID-19) continues to spread across the world.

The COVID-19 has impact on the business operations of the Group and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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 its own brand name. These technologies are complementary to one another, and provide customers 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 will closely monitor the market in order to strengthen its market position and to improve profitability.

Since 2017, the Group addressed the commoditization 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 its well-established wholesale 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 products in the post-sales circular economy. During the year, the Group has diversified and grown its customer base to reduce customer concentration risk. The percentage of annual sales attributable to the Group's largest customer and five largest customers decreased from 50.9% to 27.0% and from 82.9% to 70.7% respectively. In addition, the Group developed its online trade-in platform and cooperated with a renowned IT brand as its trade-in partner for certain smart devices. 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 has strong business bond with this renowned IT brand. 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.

Revenue from the sales and distribution of products is recognised at a point in time when control of the products has transferred, being at the point the products are delivered to and have been accepted, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. There is only one performance obligation. Delivery occurs when the products have been shipped to the specified location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied.

Revenue from these sales is recognised based on the price specified in the contract, net of discounts, returns and value added taxes.

A receivable is recognised when the products are delivered and the customers have accepted the products, as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

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 for video surveillance products carrying its own brand name. Smart device applications were also developed by the Group to provide remote control and monitoring of the video surveillance products. As an extension of the Group's repair and service support segment, the Group is liaising with potential customers for provision of repair services.

Subsequent to the year end, the Group entered into a continuing connected transaction with a subsidiary of the Company's controlling shareholders for provision of certain repair services for the fulfillment of customers need. The Group will also consider setting up its own maintenance center in China after considering relevant costs, expected return and efficiency in providing the repair services.

For sales of services, the Group has determined that for contracts with customers under service support, there is only one performance obligation. For the provision of services, revenue is recognised over time in the accounting period in which the services are rendered to customers as the Group determined that the customer receives and uses the benefits simultaneously.

Segment information by business line

During FY2019, the revenue from sales and distribution of IT products continued to be the largest source of income which accounted for approximately 99.9% of the revenue. For FY2019, the Group continued to achieve rapid growth in the segment of sales and distribution of IT products and the revenue generated from this segment increased by approximately 11.3% as compared to that of FY2018. The revenue from sales and distribution of IT products consisted of third-party IT products and video surveillance products carrying our own brand name. The growth in this segment was attributable to increase in volume of goods sold driven by expanded range of third-party branded products offerings.

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
Sales and distribution of IT products	**332,522**	298,728
Repairs and service support	**362**	381
	332,884	299,109

The majority of the repairs and services support revenue was generated from the supporting services for video surveillance products carrying our own brand name. During FY 2019, the revenue from repairs and service support segment slightly decreased by approximately 5.0% as compared to that of FY 2018.

Segment information by geographical location

	Year ended 31 December	
	2019	2018
	HK$'000	*HK$'000*
North America	**136,437**	189,990
Asia	**104,531**	37,953
Europe	**90,980**	69,415
Africa	**827**	1,678
Other	**109**	73
	332,884	299,109

During FY2019, the North America, Asia and Europe continued to be the top three markets of the Group in terms of their respective contribution to the revenue of the Group. The North America market continued to be the largest market of the Group which contributed approximately 41.0% (2018: 63.5%) of the Group's revenue for FY2019. Asia overtook Europe and became the second largest market of the Group which contributed approximately 31.4% (2018: 12.7%) of the Group's revenue for FY2019. Europe contributed 27.3% (2018: 23.2%) of the Group's revenue for FY2019. 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.

PRODUCT DEVELOPMENT

Building upon the foundation and experience of the management team in international distribution, the Group has further expanded its consumer electronics products offering in multi-jurisdictions that are complementary to its current business offering. The third-party IT products include computer, communications and consumer electronics (the "**3C Products**") which are refurbished and end-of-life units. Through the Group's international distribution channels, the Group extends the 3C Products useful life in the post-sales circular economy.

The Group also launched several new products, including MP4000 Series – Network IR Cameras with AI Detection, AF Starlight Series, WS9000 Series – 4K Digital Video Recorder with AI Detection and certain new cameras to strengthen the Group's product portfolio and enhance the Group's competitiveness in the market. A unique hacker resistant technology is incorporated into a range of product which is designed to prevent hackers from extracting confidential video data from security camera, giving users a peace of mind.

BUSINESS RISK RELATING TO THE GROUP

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

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

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

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

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

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

BUSINESS OUTLOOK

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

In order to diversify the business portfolio of the Group and to avoid over-concentration on a single business segment, given the current contribution of the repairs and service support segment to the overall revenue of the Group, the Group believes that there is plenty of room for growth of the repairs and service support segment. The Group has planned to set up a new overseas repair center. The Group has recently attracted a new customer which is a renowned industrial company headquartered in the US. It is expected that the new customer will generate recurring business and it may have a positive impact on the Group's revenue.

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 organization structure, and potential capital expenditures if it is deemed to strategically enhance our capabilities.

FINANCIAL REVIEW

Revenue

The Group mainly engages in two business segments, namely, i) sales and distribution of IT products; and ii) repairs and service support. The Group's total revenue amounted to approximately HK$332,884,000 for FY2019, representing an increase of approximately 11.3% as compared to that of approximately HK$299,109,000 for FY2018. The business volume growth was attributable to expanded range of third-party branded prodcuts offerings.

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 FY2019 increased to approximately HK$309,201,000, representing an increase of approximately 8.8%, as compared to that of approximately HK$284,271,000 for FY2018. The Group has strengthened its inventory management control, as a result, a reversal of provision of inventories (included in the cost of sales) amounted to approximately HK$51,000 was recognised for FY2019 as opposed to a net provision of approximately HK$1,517,000 for FY2018.

Gross profit and gross profit margin

Gross profit increased by approximately HK$8,845,000 to approximately HK$23,683,000 for FY2019, which was in line with the business volume growth. Moreover, the overall gross profit margin increased from 5.0% for FY2018 to 7.1% for FY2019 which was mainly due to the Group's continued efforts in fine-tuning its strategies and re-evaluating its business model, client and product mix so as to achieve a higher profit margin.

Selling and distribution expenses

Selling and distribution expenses slightly increased to approximately HK$6,079,000 for FY2019. A major component of the selling and distribution expenses was staff costs, commission and warehousing charges.

Administrative expenses

During FY2019, administrative expenses decreased by approximately 22.8% to approximately HK$17,047,000 (2018: HK$22,081,000). The improvement was 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 year

The Group recorded a net profit of approximately HK$2,489,000 and net loss of approximately HK$14,606,000 for FY2019 and 2018. The improvement was mainly attributable to the net profit for the three months ended 31 December 2019 due to increased in business volume and profit margin. The Group considers that the increase in profitability in the fourth quarter is generally in line with and comparable with the financial figures of the Group for the nine months ended 30 September 2019 as disclosed in the quarterly report of the Group. The Group recorded a net profit of approximately HK$259,000 for the nine months ended 30 September 2019. The earnings per share for FY2019 was HK cents 10.62 (2018: loss per share of HK cents 62.31).

Inventories and trade receivables

As at 31 December 2019, the inventory level increased to approximately HK$30,849,000 (31 December 2018: HK$12,327,000). The Group continued to improve its inventory management control by monitoring the inventory turnover days. For FY2019, the inventory turnover days was 25.5 days (2018: 74.4 days).

Trade receivables reduced to approximately HK$992,000 as at 31 December 2019 (31 December 2018: HK$5,801,000). The Group maintains strict control on credit line granted to customers. During the year, customers of the Group maintain good credit history and no material impairment of trade receivables is recognised.

Key financial performance

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

DIVIDENDS

The Board does not recommend the payment of a dividend for FY2019 (2018: Nil).

DIVIDEND POLICY

The Company does not have a fixed dividend policy. It shall consider, the following factors before declaring or recommending dividends:

– the general financial condition of the Group;

– the Group's actual and future operations and liquidity position;

– the Group's expected working capital requirements and future expansion plans;

– the Group's debt to equity ratios and the debt level;

– the restrictions on payment of dividends that may be imposed by the Group's lenders (if any);

– the retained earnings and distributable reserves of the Company and each of the members of the Group;

– the general market conditions; and

– any other factors that the Board deems appropriate.

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

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2019, the Group employed 24 (31 December 2018: 26) full time employees in Hong Kong and 11 (31 December 2018: 12) full time employees in the People's Republic of China and overseas offices. The staff costs of the Group, including directors' emoluments, employees' salaries and commission, retirement benefits schemes contributions and other benefits amounted to approximately HK$13,384,000 for FY2019 (2018: HK$12,890,000).

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

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

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During FY2019, the Group financed its daily operations with internally generated resources and net proceeds from the rights issue completed on 20 October 2017 (the "**Rights Issue**"). As at 31 December 2019, the Group had net current assets of approximately HK$110,334,000 (31 December 2018: HK$107,206,000) and cash and cash equivalents amounted to approximately HK$63,021,000 (31 December 2018: HK$72,369,000). The Group had no borrowings outstanding as at 31 December 2019.

As at 31 December 2019, the gearing ratio, which is calculating on the basis of total debts over total equity of the Group, was 13.0% (31 December 2018: 12.4%).

CAPITAL STRUCTURE

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

The Group did not have any borrowings during FY2019.

SIGNIFICANT INVESTMENT

The Group did not hold any new significant investments during FY2019.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies for FY2019.

CHARGE OF ASSETS

As at 31 December 2019, a bank deposit of US$4,000,000 (equivalent to approximately HK$31,220,000) (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) granted to the Group. Such bank facility was drawn by the Group to issue a standby letter of credit to a vendor in the financial year ended 31 December 2019.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "Use of Proceeds from Rights Issue" of this announcement, to continue executing its investment plan of augmenting its international distribution and fulfilment capabilities, the Group may, depending on circumstances and market conditions, consider the need for fundraising and/or financing from time to time in order to strengthen its human resources, plant and equipment and working capital. This will enable the Group to not only serve the distribution and fulfilment requirements of its own products, but also acquire the capabilities to support strategic third-party business partners with innovative revenue models with a view to delivering enhanced value to shareholders.

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

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, Taiwan, US and Europe with most of the transactions settled in HK$, United States dollars ("**USD**") and Euro. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to USD and Euro. The Management has a policy to manage the foreign exchange risk against the functional currencies of the Group. It mainly includes managing the foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and would consider the use of foreign exchange contracts to manage our foreign exchange risks, where appropriate. The Group did not enter into any derivative financial instruments during FY2019. The Group did not use any financial instruments for hedging purposes during FY2019 (2018: Nil).

CONTINGENT LIABILITIES

As of 31 December 2019, the Group did not have any material contingent liabilities (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:–

	Originally proposed and revised use of proceeds from the Rights Issue *HK$'000*	**Amount utilised up to 31 December 2019** ***HK$'000***	**Amount unutilised as at 31 December 2019** ***HK$'000***	**Expected time of full utilisation of the remaining balance**
Expansion of the repairs and service support business	7,600	**2,166**	**5,434**	**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	**92,966**	**5,434**	

As previously disclosed in the announcement dated 28 March 2018, HK$50 million of the proceeds from the Rights Issue originally intended for "the expansion of the repairs and service support business" (Service Support Business) was reallocated to the "development of IT products trading business" (Distribution Business).

Up to 31 December 2019, an accumulated amount of approximately HK$2,166,000 has been applied to expand the Group's existing repairs and service support business. Certain oversea entities and offices have been incorporated and set up. The Group is negotiating with a potential customer and anticipates that the Group will commence taking orders in the third quarter in 2020. The Group is also strengthening its IT system in meeting the upcoming development of the repairs and service support business.

Up to 31 December 2019, the proceeds of HK$73,000,000 for the development of the Group's existing IT products trading business were fully utilised.

Up to 31 December 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.

EVENT OCCURRING AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus (COVID-19) continues to spread across the world.

The COVID-19 has impact on the business operations of the Group and the degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

The Group will monitor the developments of COVID-19 situation closely, assess and react actively to its impacts on the financial position and operating results of the Group. Up to the date of this announcement, the assessment is still in progress.

Given the dynamic nature of these circumstances, the related impact on the Group's consolidated results of operations, cash flows and financial condition could not be reasonably estimated at this stage and will be reflected in the Group's 2020 interim and annual financial statements.

COMPETING BUSINESS

For FY2019, none of the Directors, controlling shareholder or their respective close associates (as defined in the GEM Listing Rules) has any interests in a business that competes or may compete either directly or indirectly with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

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

CORPORATE GOVERNANCE CODE

During FY2019, 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.

DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the Company's specific enquiry, each of the Directors (including former Directors who acted as Director during the reporting period) has confirmed that during his/her tenure as Director for FY2019, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting ("**AGM**") will be held at 10:00 a.m on Friday, 8 May 2020 at 15M, Kings Wing Plaza 1, 3 On Kwan Street, Shek Mun, Shatin, Hong Kong. The register of members of the Company will be closed from Tuesday, 5 May 2020 to Friday, 8 May 2020, both days inclusive, in order to determine the eligibility of shareholders to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m on Monday, 4 May 2020.

AUDIT COMMITTEE

The Audit Committee has adopted written terms of reference in compliance with Code Provision C.3.3. of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

During FY2019, members of the Audit Committee were Mr. Li Robin Kit Ling (chairman), Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben, all of them are independent non-executive directors. At the discretion of the Audit Committee, executive Directors and/or senior management personnel overseeing the Group's finance may be invited to attend meetings. The Audit Committee normally meets four times a year and also meets the external auditors twice without the presence of the executive Directors.

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

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

The quarterly, interim and annual results of the financial year of 2019, including the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of changes in equity and related notes thereto for FY2019 have been reviewed by the Audit Committee.

FIGURES IN THIS ANNOUNCEMENT AGREED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and consolidated statement of changes in equity and the related notes thereto for FY2019 as set out in this announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on the preliminary announcement.

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

Hong Kong, 20 March 2020

As at the date of this announcement, the executive Directors are Mr. Hong Sung-Tai, Mr. Tsai Biing-Hann, Ms. Chen Ching-Hsuan 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, for which the Directors 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 of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain at the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the website of the Company at www.circutech.com.

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

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