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 2020

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 2020, together with the comparative unaudited figures for the corresponding periods in 2019, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 30 June		**Six months ended 30 June**	
		2020	2019	**2020**	2019
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*3*	**103,610**	62,566	**176,487**	112,999
Cost of sales		**(92,672)**	(57,947)	**(159,301)**	(103,546)
Gross profit		**10,938**	4,619	**17,186**	9,453
Other income		**1,352**	796	**2,125**	1,563
Selling and distribution costs		**(1,842)**	(1,354)	**(3,280)**	(2,695)
Administrative expenses		**(4,424)**	(3,594)	**(8,737)**	(7,487)
Research and development expenditures		**(391)**	(386)	**(786)**	(774)
Finance costs		**(4)**	(20)	**(12)**	(45)
Operating profit		**5,629**	61	**6,496**	15
Share of net profit of an associate accounted for using the equity method		**317**	62	**564**	182
Profit before income tax	*5*	**5,946**	123	**7,060**	197
Income tax (expenses)/credit	*6*	**(1,550)**	54	**(1,805)**	(30)
Profit for the period		**4,396**	177	**5,255**	167

	Note	Three months ended 30 June **2020** **HK$'000** **(unaudited)**	Three months ended 30 June 2019 HK$'000 (unaudited)	Six months ended 30 June **2020** **HK$'000** **(unaudited)**	Six months ended 30 June 2019 HK$'000 (unaudited)
Other comprehensive income for the period:					
Item that may be reclassified subsequently to profit or loss					
Exchange differences arising on translation of foreign operations		**(134)**	(400)	**(272)**	(305)
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		**(54)**	–	**(54)**	–
Other comprehensive income for the period		**(188)**	(400)	**(326)**	(305)
Total comprehensive income for the period		**4,208**	(223)	**4,929**	(138)
Profit for the period attributable to:					
– Owners of the Company		**4,396**	177	**5,255**	167
– Non-controlling interests		**–**	–	**–**	–
		4,396	177	**5,255**	167
Total comprehensive income for the period attributable to:					
– Owners of the Company		**4,188**	(247)	**4,907**	(144)
– Non-controlling interests		**20**	24	**22**	6
		4,208	(223)	**4,929**	(138)
		HK cents per share	*HK cents per share*	***HK cents per share***	*HK cents per share*
Earnings per share attributable to owners of the Company					
– Basic and diluted	*8*	**18.76**	0.76	**22.42**	0.71

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	**As at 30 June 2020 HK$'000 (unaudited)**	As at 31 December 2019 HK$'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment		**4,643**	5,809
Right-of-use assets		**81**	732
Interest in an associate		**7,249**	6,741
Derivative financial instruments		**8,483**	8,247
Financial asset at fair value through other comprehensive income		**1,457**	1,511
		21,913	23,040
Current assets			
Inventories		**29,076**	30,849
Trade and other receivables	*9*	**2,484**	2,555
Restricted bank deposits		**31,220**	31,220
Cash and cash equivalents		**86,183**	63,021
		148,963	127,645
Total assets		**170,876**	150,685

	Notes	As at 30 June 2020 HK$'000 (unaudited)	As at 31 December 2019 HK$'000 (audited)
Equity			
Share capital	*11*	**4,687**	4,687
Other reserves		**195,273**	195,621
Accumulated losses		**(61,193)**	(66,448)
Capital and reserves attributable to owners of the Company		**138,767**	133,860
Non-controlling interests		**–**	(495)
Total equity		**138,767**	133,365
Liabilities			
Current liabilities			
Trade and other payables	*10*	**29,384**	16,347
Lease liabilities		**84**	758
Contract liabilities		**1,088**	26
Tax payables		**1,553**	180
		32,109	17,311
Total assets less current liabilities		**138,767**	133,374
Non-current liabilities			
Lease liabilities		**–**	9
Total liabilities		**32,109**	17,320
Total equity and liabilities		**170,876**	150,685

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 2020 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 2019, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

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

2. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the condensed consolidated interim financial information are consistent with those of the annual financial statements for the year ended 31 December 2019, 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 2020. The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2020.

Amendments to HKFRS 3	Definition of a Business
Amendments to HKFRS 7, HKFRS 9 and HKAS 39	Interest Rate Benchmark Reform
Amendments to HKAS 1 and HKAS 8	Definition of Material
Conceptual Framework for Financial Reporting (Revised)	

The adoption of the above amended standards did not have a material impact on the Group's unaudited condensed consolidated financial information for the six months ended 30 June 2020.

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**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sale and distribution of IT products	**103,535**	62,483	**176,340**	112,829
Repairs and service support	**75**	83	**147**	170
	103,610	62,566	**176,487**	112,999

4. SEGMENT INFORMATION

The Group is principally engaged in the sale 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 sale and distribution of IT products and repairs and service support.

During the six months ended 30 June 2020 and 2019, the Group's operating and reporting segments are as follows:

Sale and distribution of IT products – Designs, manufactures and markets video surveillance systems and distributes third-party IT products

Repairs and service support – Provision of repairs, maintenance and other service support for electronic products

Segment revenue and results

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2020 and 2019 is as follows:

Six months ended 30 June 2020 (unaudited)

	Sale and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue from external customers	**176,340**	**147**	**176,487**
Time of revenue recognition			
– At a point in time	**176,340**	**–**	**176,340**
– Over time	**–**	**147**	**147**
	176,340	**147**	**176,487**
Segment profit	**9,689**	**28**	**9,717**
Other income			**2,125**
Unallocated corporate expenses *(note)*			**(5,334)**
Interest expenses on lease liabilities			**(12)**
Operating profit			**6,496**
Share of net profit of an associate accounted for using the equity method			**564**
Profit before income tax			**7,060**

Three months ended 30 June 2020 (unaudited)

	Sale and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue from external customers	**103,535**	**75**	**103,610**
Time of revenue recognition			
– At a point in time	**103,535**	**–**	**103,535**
– Over time	**–**	**75**	**75**
	103,535	**75**	**103,610**
Segment profit	**6,701**	**9**	**6,710**
Other income			**1,352**
Unallocated corporate expenses *(note)*			**(2,429)**
Interest expenses on lease liabilities			**(4)**
Operating profit			**5,629**
Share of net profit of an associate accounted for using the equity method			**317**
Profit before income tax			**5,946**

Six months ended 30 June 2019 (unaudited)

	Sale and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue from external customers	112,829	170	112,999
Time 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)
Interest expenses on lease liabilities			(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)

	Sale and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue from external customers	62,483	83	62,566
Time 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)
Interest expenses on lease liabilities			(20)
Operating profit			61
Share of net profit of an associate accounted for using the equity method			62
Profit before income tax			123

Note:

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

Geographical information

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

	Three months ended 30 June		**Six months ended 30 June**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
North America	**38,279**	8,703	**69,475**	24,439
Europe	**35,399**	28,498	**58,328**	32,626
Asia	**29,869**	25,105	**48,603**	55,493
Africa	**63**	260	**81**	441
	103,610	62,566	**176,487**	112,999

5. PROFIT BEFORE INCOME TAX

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

	Three months ended 30 June		**Six months ended 30 June**	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of property, plant and equipment	**589**	593	**1,180**	1,183
Depreciation of right-of-use assets	**325**	324	**650**	663
Interest expenses on lease liabilities	**4**	20	**12**	45
Short-term lease expenses	**30**	6	**60**	12
Loss on disposal of property, plant and equipment	**7**	–	**7**	–
Loss on deregistration of a subsidiary	**473**	–	**473**	–
Interest income	**(150)**	(158)	**(320)**	(325)
Net foreign exchange loss/(gain)	**154**	67	**256**	(10)
Net (reversal of)/provision of inventories (included in cost of sales)	**(582)**	107	**945**	310
Rental income	**(600)**	(600)	**(1,200)**	(1,200)
Government subsidies *(note)*	**(173)**	–	**(173)**	–

Note: The government subsidies were granted under the Employment Support Scheme ("**ESS**") as the second round of the Anti-epidemic Fund, which aims to retain staff employment. The Group is required to undertake not to make redundancies by 31 August 2020 and to spend all the wage subsidies on paying wages to the employees. For the six months ended 30 June 2020, the Group recognised government subsidies from the ESS of approximately HK$173,000 as "Other income" in the interim condensed consolidated statement of comprehensive income.

6. INCOME TAX (EXPENSES)/CREDIT

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2019: 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	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current tax				
– Hong Kong Profits Tax	**(199)**	–	**(199)**	–
– Overseas taxation	**(1,351)**	54	**(1,606)**	(30)
Income tax (expenses)/credit	**(1,550)**	54	**(1,805)**	(30)

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: Nil).

8. EARNINGS PER SHARE

(a) Basic

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

	Three months ended 30 June		Six months ended 30 June	
	2020	2019	**2020**	2019
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit for the period attributable to owners of the Company	**4,396**	177	**5,255**	167
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 per share	**18.76**	0.76	**22.42**	0.71

(b) Diluted

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

9. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 ***HK$'000*** **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
Trade receivables, net of provision	**395**	992
Deposit and other receivables	**533**	501
Financial assets at amortised cost	**928**	1,493
Prepayments	**1,556**	1,062
Total trade and other receivables	**2,484**	2,555

The majority of the Group's sales are cash on delivery. The remaining amounts are with credit terms generally ranging from 15 to 45 days. As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade receivables based on invoice date was as follows:

	As at 30 June 2020 ***HK$'000*** **(unaudited)**	As at 31 December 2019 *HK$'000* (audited)
Within 1 month	**330**	735
1 to 2 months	**48**	–
2 to 3 months	**6**	255
Over 3 months	**11**	2
	395	992

10. TRADE AND OTHER PAYABLES

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Trade payables	**26,223**	11,796
Deposit received	**600**	600
Other tax payables	**621**	902
Accruals and other payables	**1,940**	3,049
	29,384	16,347

As at 30 June 2020 and 31 December 2019, the ageing analysis of the trade payables based on invoice date was as follows:

	As at 30 June 2020	As at 31 December 2019
	HK$'000	*HK$'000*
	(unaudited)	(audited)
Within 1 month	**26,104**	11,796
1 to 2 months	**119**	–
	26,223	11,796

11. SHARE CAPITAL

	Number of shares		**Share capital**	
	30 June 2020	31 December 2019	**30 June 2020**	31 December 2019
	'000	*'000*	***HK$'000***	*HK$'000*
	(unaudited)	(audited)	**(unaudited)**	(audited)
Ordinary shares				
Issued and fully paid	**23,434**	23,434	**4,687**	4,687

12. NOVEL CORONAVIRUS OUTBREAK

The outbreak of novel coronavirus (COVID-19) continues to spread across the world and it has impact on the business operations of the Group. The degree of the impact depends on the situation of the epidemic preventive measures and the duration of the epidemic.

Up to the date of this announcement, COVID-19 has not resulted in material impact to operating activities or financial performance and financial position of the Group. The sale and distribution activities are operating normally during the pandemic. However, there is delay in the business plan for the expansion of the repair and service support segment, including the set-up of a new repair center.

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 the announcement, the assessment is still in progress.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Sale and distribution of IT products

The core business segment of the Group is sale and distribution of IT products. It includes distribution of renowned third-party IT products and video surveillance systems carrying our own brand name.

The third-party IT products are mainly refurbished and end-of-life units that are distributed through our well-established wholesale network covering the North America, Asia and Europe. During the period, we have further expanded the range of products offering and broadened the customer base to fuel the growth in revenue and reduce the customer concentration risk. In addition, we have developed our 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.

The sale and distribution of video surveillance systems is highly competitive, in particular, the Group directly and indirectly competes with large global vendors in form of pricing, range of services provided and information technology.

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

Provision of repairs and other service support of IT products

The Group provides full range of after sales maintenance 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 service support business of electronic products.

FINANCIAL REVIEW

Revenue

The Group's total revenue amounted to approximately HK$176.5 million for the six months ended 30 June 2020, representing an increase of approximately 56.2% as compared to that of approximately HK$113.0 million for the six months ended 30 June 2019, attributable to the adjustment in strategies in the sale and distribution segment as aforesaid.

Segment revenue by business line

	Six months ended 30 June	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sale and distribution of IT products	**176,340**	112,829
Repairs and service support	**147**	170
	176,487	112,999

For the six months ended 30 June 2020, the revenue from sale and distribution of IT products continued to be the largest source of income of the Group which accounted for approximately 99.9% of the revenue of the Group. Revenue from sale and distribution of IT products consists of third-party IT products and video surveillance products carrying our own brand name. The business volume growth was attributable to the growth in North America and Europe markets fuelled by our expanded range of third-party branded product offerings.

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	
	2020	2019
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
North America	**69,475**	24,439
Europe	**58,328**	32,626
Asia	**48,603**	55,493
Africa	**81**	441
	176,487	112,999

For the six months ended 30 June 2020, the North America market overtook Asia and contributed approximately 39.4% (2019: 21.6%) of the Group's revenue. Europe continued to be the second largest market of the Group which contributed approximately 33.0% (2019: 28.9%) 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 increase in business volume, the cost of sales for the six months ended 30 June 2020 increased to approximately HK$159.3 million, as compared to that of approximately HK$103.5 million for the corresponding period in 2019. Provision of inventories, included in the cost of sales increased to approximately HK$0.9 million as compared to approximately HK$0.3 million for the same period in 2019 to account for the increase in slow-moving inventories.

Gross profit and gross profit margin

Gross profit increased by approximately HK$7.7 million for the six months ended 30 June 2020 as compared to that of the six months ended 30 June 2019, attributable to increase in revenue. The overall gross profit margin increased to approximately 9.7% for the six months ended 30 June 2020 due to the strengthened global wholesale network and efforts in fine-tuning the Group's strategies, client and product mix so as to achieve a higher profit margin.

Selling and distribution costs

Selling and distribution costs slightly increased to approximately HK$3.3 million during the six months ended 30 June 2020. A major component of the selling and distribution expenses was staff costs and commission and warehousing charges.

Administrative expenses

Administrative expenses increased by approximately 16.7% to approximately HK$8.7 million during the six months ended 30 June 2020. It was mainly due to the professional fee incurred in relation to a continuing connected transaction with a subsidiary of the Company's controlling shareholders for provision of certain repair services and the recognition of foreign currency exchange losses arising from the depreciation of the Euro.

Net profit for the period

The Group recorded a net profit of approximately HK$5.3 million and net profit of approximately HK$0.2 million for the six months ended 30 June 2020 and 2019, respectively. The net profit for the six months ended 30 June 2020 was contributed by the net profit of approximately HK$4.4 million for the three months ended 30 June 2020 due to growth in revenue. The Board considers that the improvement 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 2020 as disclosed in the first quarterly report of the Company. The Group recorded a net profit of approximately HK$0.9 million for the three months ended 31 March 2020.

Inventories and trade receivables

As at 30 June 2020, the inventory level slightly decreased to approximately HK$29.1 million (31 December 2019: HK$30.8 million). The Group continued to monitor the inventory level and reduce the inventory risk, with an aim to shorten the cash conversion cycle.

As at 30 June 2020, trade receivables decreased by approximately HK$0.6 million to approximately HK$0.4 million (31 December 2019: HK$1.0 million). The Group maintains 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 to face keen competition in the IT product distribution business and the management will closely monitor the IT product distribution business and may adjust the Group's business portfolio in a bid to increase customer base and generate better and more stable returns to the shareholders.

In order to diversify the business portfolio of the Group and to avoid overconcentration on a single business segment, given the current contribution of the repairs and service support segment to the overall revenue of the Group, the Group believes that there is plenty of room for growth of the repairs and service support segment. The Group has attracted a new customer which is a renowned industrial company headquartered in the US. Due to the outbreak of COVID-19, there is delay in the business plan for the expansion of the repair and service support segment, including the set-up of a new repair center. The management will closely monitor the development of COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

The Group 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 its capabilities.

EMPLOYEE INFORMATION

As at 30 June 2020, the Group employed 24 (30 June 2019: 30) full time employees in Hong Kong and 10 (30 June 2019: 5) 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$6,472,000 (30 June 2019: HK$6,262,000).

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 2020, 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 2020, the Group had net current assets of approximately HK$116,854,000 (31 December 2019: HK$110,334,000) and cash and cash equivalents amounted to approximately HK$86,183,000 (31 December 2019: HK$63,021,000).

As at 30 June 2020, the gearing ratio, which is calculating on the basis of total debts over total equity of the Group, was 23.1% (31 December 2019: 13.0%).

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2020 (six months ended 30 June 2019: 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:–

Capacity	**Revised use of proceeds from the Rights Issue**	**Amount utilised up to 30 June 2020**	**Amount unutilised as at 30 June 2020**	**Expected time of full utilisation of the remaining balance**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Expansion of the repairs and service support business	7,600	2,291	5,309	Fourth 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	93,091	5,309	

Up to 30 June 2020, an accumulated amount of approximately HK$2,291,000 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 2020, 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 2020, 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 2020, 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 2020 (31 December 2019: Nil).

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment during the six months ended 30 June 2020 (31 December 2019: 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 2020 (31 December 2019: Nil).

CHARGE ON ASSETS

As at 30 June 2020, a bank deposit of US$4,000,000 (equivalent to approximately HK$31,220,000) was pledged to a bank for the banking facility amounting to US$8,000,000 (equivalent to approximately HK$62,440,000) granted to the Group (31 December 2019: 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 2020.

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 2020, 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 2019: 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 2020, the Group did not have any contingent liabilities (31 December 2019: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As of 30 June 2020, none of the Directors and chief executives 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 2020 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 2020.

SUBSTANTIAL SHAREHOLDERS

As of 30 June 2020, so far as is known to the Directors and chief executives 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 as at 30 June 2020

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

Note:

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

Save as disclosed above, as of 30 June 2020, 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 2020, 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 2020, 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 2020, 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 2020, 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.

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 2020, this announcement and the interim report, and has provided advice and comments thereon.

EVENT OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the period ended date, the Group entered into a continuing connected transaction with the Company's controlling shareholder. For details, please refer to the announcement of the Company dated 3 July 2020.

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 15 May 2020 are set out below:

Mr. Tsai Biing-Hann ("**Mr. Tsai**") resigned as the chief executive officer of the Company (the "**Chief Executive Officer**"), the compliance officer of the Company (the "**Compliance Officer**"), a member of each of the remuneration committee of the Company (the "**Remuneration Committee**") and the nomination committee of the Company (the "**Nomination Committee**") and an authorized representative of the Company (the "**Authorized Representative**") under the GEM Listing Rules. After his resignation from the abovementioned positions, Mr. Tsai remains as an executive Director.

Ms. Chen Ching-Hsuan, an executive Director, has been appointed as the Chief Executive Officer, the Compliance Officer, a member of each of the Remuneration Committee and the Nomination Committee and the Authorized Representative.

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

Hong Kong, 11 August 2020

As at the date of this announcement, the executive Directors are Mr. Hong Sung-Tai, Ms. Chen Ching-Hsuan, Mr. Han Chun-Wei and Mr. Tsai Biing-Hann; the non-executive Director is Mr. Kao Chao Yang; and the independent non-executive Directors are Mr. Yeung Wai Hung Peter, Mr. Li Robin Kit Ling and Mr. Miao Benny Hua-ben.

This announcement will remain 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.