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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)

INTERIM RESULTS ANNOUNCEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2021

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 (“**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 2021, together with the comparative unaudited figures for the corresponding periods in 2020, as follows:

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended		Six months ended	
		30 June		30 June	
		2021	2020	2021	2020
	<i>Notes</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)	(unaudited)	(unaudited)
Revenue	3	50,500	103,610	122,571	176,487
Cost of sales		(45,008)	(92,672)	(112,464)	(159,301)
Gross profit		5,492	10,938	10,107	17,186
Other income		776	1,352	1,400	2,125
Selling and distribution costs		(1,334)	(1,842)	(2,689)	(3,280)
Administrative expenses		(3,838)	(4,424)	(7,539)	(8,737)
Research and development expenditures		(343)	(391)	(688)	(786)
Share of net profit of an associate accounted for using the equity method		75	317	276	564
Finance costs		(17)	(4)	(37)	(12)
Profit before income tax	5	811	5,946	830	7,060
Income tax expenses	6	(452)	(1,550)	(453)	(1,805)
Profit for the period		359	4,396	377	5,255

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
Note	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Other comprehensive income for the period:				
<i>Item that may be reclassified subsequently to profit or loss</i>				
Exchange differences on translation of foreign operations	192	(134)	924	(272)
<i>Item that will not be reclassified to profit or loss</i>				
Changes in the fair value of equity investments at fair value through other comprehensive income	107	(54)	107	(54)
Other comprehensive income for the period	299	(188)	1,031	(326)
Total comprehensive income for the period	658	4,208	1,408	4,929
Profit for the period attributable to:				
– Owners of the Company	359	4,396	377	5,255
– Non-controlling interests	–	–	–	–
	359	4,396	377	5,255
Total comprehensive income for the period attributable to:				
– Owners of the Company	658	4,188	1,408	4,907
– Non-controlling interests	–	20	–	22
	658	4,208	1,408	4,929
	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	1.53	18.76	1.61
		22.42		

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Assets			
Non-current assets			
Property, plant and equipment		2,413	3,643
Right-of-use assets		1,153	1,055
Interest in an associate		8,142	7,378
Derivative financial instruments		9,964	9,917
Financial asset at fair value through other comprehensive income		1,564	1,457
		<u>23,236</u>	<u>23,450</u>
Current assets			
Inventories		18,257	32,256
Trade and other receivables	9	2,682	2,647
Restricted bank deposits		31,043	31,220
Cash and cash equivalents		87,667	104,695
		<u>139,649</u>	<u>170,818</u>
Total assets		<u>162,885</u>	<u>194,268</u>

		As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
	<i>Notes</i>		
Equity			
Share capital	<i>11</i>	4,687	4,687
Other reserves		199,046	198,015
Accumulated losses		(57,074)	(57,451)
Total equity		<u>146,659</u>	<u>145,251</u>
Liabilities			
Current liabilities			
Trade and other payables	<i>10</i>	11,548	46,142
Lease liabilities		901	721
Contract liabilities		1,603	24
Tax payables		1,880	1,754
		<u>15,932</u>	<u>48,641</u>
Total assets less current liabilities		<u>146,953</u>	<u>145,627</u>
Non-current liabilities			
Lease liabilities		294	376
Total liabilities		<u>16,226</u>	<u>49,017</u>
Total equity and liabilities		<u>162,885</u>	<u>194,268</u>

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 2021 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 2020, 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, the Registered Public Interest Entity Auditor, 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 2020, 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 2021. The following amended standard and interpretation is mandatory for the first time for the financial year beginning on 1 January 2021.

Amendment to HKFRS 16

Covid-19-Related Rent Concessions

The adoption of the above amended standard did not have a material impact on the Group’s unaudited condensed consolidated financial information for the six months ended 30 June 2021.

3. REVENUE

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Sales and distribution of IT products	49,329	103,535	121,292	176,340
Repairs and service support	1,171	75	1,279	147
Revenue from contracts with customers	<u>50,500</u>	<u>103,610</u>	<u>122,571</u>	<u>176,487</u>

4. SEGMENT INFORMATION

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

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

The Executive Directors have identified two reportable segments of the Group's business:

- (i) Sales and distribution of IT products: 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 IT products.

No operating segments have been aggregated in arriving at the reportable segments of the Group. No sales between segments are carried out during the six months ended 30 June 2021 and 2020. The revenue from external parties is measured in the same way as in the unaudited condensed consolidated statement of comprehensive income.

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

Segment revenue and results

The segment information provided to the Executive Directors for the reportable segments for the six months ended 30 June 2021 and 2020 is as follows:

Six months ended 30 June 2021 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>121,292</u>	<u>1,279</u>	<u>122,571</u>
Time of revenue recognition			
– At a point in time	121,292	5	121,297
– Over time	<u>–</u>	<u>1,274</u>	<u>1,274</u>
	<u>121,292</u>	<u>1,279</u>	<u>122,571</u>
Segment profit	<u>1,874</u>	<u>585</u>	2,459
Other income			1,324
Salaries, wages and other benefits			(969)
Depreciation charge			(1,231)
Unallocated corporate expenses (<i>note</i>)			(992)
Finance costs			<u>(37)</u>
Operating profit			554
Share of net profit of an associate accounted for using the equity method			<u>276</u>
Profit before income tax			<u>830</u>

Three months ended 30 June 2021 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	49,329	1,171	50,500
Time of revenue recognition			
– At a point in time	49,329	5	49,334
– Over time	–	1,166	1,166
	49,329	1,171	50,500
Segment profit	1,147	555	1,702
Other income			700
Salaries, wages and other benefits			(501)
Depreciation charge			(606)
Unallocated corporate expenses (<i>note</i>)			(542)
Finance costs			(17)
Operating profit			736
Share of net profit of an associate accounted for using the equity method			75
Profit before income tax			811

Six months ended 30 June 2020 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>176,340</u>	<u>147</u>	<u>176,487</u>
Time of revenue recognition			
– At a point in time	176,340	–	176,340
– Over time	<u>–</u>	<u>147</u>	<u>147</u>
	<u>176,340</u>	<u>147</u>	<u>176,487</u>
Segment profit	<u>9,689</u>	<u>28</u>	9,717
Other income			2,125
Salaries, wages and other benefits			(2,000)
Depreciation charge			(1,141)
Unallocated corporate expenses (<i>note</i>)			(2,193)
Finance costs			<u>(12)</u>
Operating profit			6,496
Share of net profit of an associate accounted for using the equity method			<u>564</u>
Profit before income tax			<u>7,060</u>

Three months ended 30 June 2020 (unaudited)

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue from external customers	<u>103,535</u>	<u>75</u>	<u>103,610</u>
Time of revenue recognition			
– At a point in time	103,535	–	103,535
– Over time	<u>–</u>	<u>75</u>	<u>75</u>
	<u>103,535</u>	<u>75</u>	<u>103,610</u>
Segment profit	<u>6,701</u>	<u>9</u>	6,710
Other income			1,352
Salaries, wages and other benefits			(938)
Depreciation charge			(570)
Unallocated corporate expenses (<i>note</i>)			(921)
Finance costs			<u>(4)</u>
Operating profit			5,629
Share of net profit of an associate accounted for using the equity method			<u>317</u>
Profit before income tax			<u>5,946</u>

Note:

Unallocated corporate expenses represent general corporate expenses.

Geographical information

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Hong Kong	36,270	27,247	76,052	41,916
Taiwan	7,469	2,199	23,254	5,828
United States	5,056	38,279	15,302	69,475
Netherlands	73	35,365	5,697	58,127
Others	1,632	520	2,266	1,141
	<u>50,500</u>	<u>103,610</u>	<u>122,571</u>	<u>176,487</u>

5. PROFIT BEFORE INCOME TAX

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	600	589	1,202	1,180
Depreciation of right-of-use assets	219	325	447	650
Interest expenses on lease liabilities	17	4	37	12
Short-term lease expenses	91	30	198	60
(Gain)/loss on disposal of property, plant and equipment	(10)	7	(10)	7
Loss on deregistration of a subsidiary	–	473	–	473
Interest income	(9)	(150)	(22)	(320)
Net foreign exchange loss	116	154	396	256
Reversal of impairment loss on interest in an associate	(302)	–	(302)	–
Net (reversal of)/provision of inventories (included in cost of sales)	(227)	(582)	(395)	945
Rental income	(600)	(600)	(1,200)	(1,200)
Government subsidy (<i>note</i>)	–	(173)	–	(173)
	<u>–</u>	<u>(173)</u>	<u>–</u>	<u>(173)</u>

Note: The government subsidies were granted under the Employment Support Scheme (“ESS”) as the second round of the Anti-epidemic Fund, which aims to retain staff employment. The Group is required to undertake 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. No government subsidy was recognised during the six months ended 30 June 2021.

6. INCOME TAX EXPENSES

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2020: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Current tax				
– Hong Kong Profits Tax	310	199	434	199
– Overseas taxation	142	1,351	19	1,606
Income tax expenses	<u>452</u>	<u>1,550</u>	<u>453</u>	<u>1,805</u>

7. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

8. EARNINGS PER SHARE

(a) Basic

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

	Three months ended		Six months ended	
	30 June		30 June	
	2021	2020	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Profit for the period attributable to owners of the Company	359	4,396	377	5,255
Weighted average number of ordinary shares (<i>thousands</i>)	<u>23,434</u>	<u>23,434</u>	<u>23,434</u>	<u>23,434</u>
	<i>HK cents per share</i>	<i>HK cents per share</i>	<i>HK cents per share</i>	<i>HK cents per share</i>
Basic earnings per share	<u>1.53</u>	<u>18.76</u>	<u>1.61</u>	<u>22.42</u>

(b) **Diluted**

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

9. **TRADE AND OTHER RECEIVABLES**

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Trade receivables	767	824
Deposits and other receivables	<u>386</u>	<u>703</u>
Financial assets at amortised cost	1,153	1,527
Prepayments	<u>1,529</u>	<u>1,120</u>
Total trade and other receivables	<u><u>2,682</u></u>	<u><u>2,647</u></u>

The majority of the Group's sales are on cash basis. The remaining amounts are with credit terms generally ranging from 15 to 45 days. As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2021 HK\$'000 (unaudited)	As at 31 December 2020 HK\$'000 (audited)
Within 1 month	703	455
1 to 2 months	30	–
2 to 3 months	15	316
Over 3 months	<u>19</u>	<u>53</u>
	<u><u>767</u></u>	<u><u>824</u></u>

10. TRADE AND OTHER PAYABLES

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Trade payables	8,924	42,229
Deposit received	600	600
Other tax payables	198	393
Accruals and other payables	<u>1,826</u>	<u>2,920</u>
	<u>11,548</u>	<u>46,142</u>

As at 30 June 2021 and 31 December 2020, the ageing analysis of the trade payables based on invoice date were as follows:

	As at 30 June 2021 <i>HK\$'000</i> (unaudited)	As at 31 December 2020 <i>HK\$'000</i> (audited)
Within 1 month	8,924	41,805
2 to 3 months	<u>–</u>	<u>424</u>
	<u>8,924</u>	<u>42,229</u>

11. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2021 <i>'000</i> (unaudited)	31 December 2020 <i>'000</i> (audited)	30 June 2021 <i>HK\$'000</i> (unaudited)	31 December 2020 <i>HK\$'000</i> (audited)
Ordinary shares				
Issued and fully paid	<u>23,434</u>	<u>23,434</u>	<u>4,687</u>	<u>4,687</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Sales and distribution of IT products

The core business segment of the Group is sales and distribution of IT products. It includes distribution of renowned third-party IT products and video surveillance systems carrying our own brand name. The Group also developed an online trade-in platform and cooperated with international brands as their trade-in partners for certain IT products.

The third-party IT products are mainly refurbished and end-of-life units that are distributed through our well-established wholesale network covering Asia, North America and Europe. During the period, the demand for refurbished and end-of-life products reduced to a medium state. Furthermore, a new ground-breaking chip technology was launched in the fourth quarter of 2020 and caused severe drop in prices on the end-of-life products, resulting in the decrease in revenue of the Group.

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

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

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

Provision of repairs and other service support of IT products

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

The Group is currently approaching a number of target customers and their service centres with an aim to providing service support business of electronic products.

FINANCIAL REVIEW

Revenue

The Group's total revenue amounted to approximately HK\$122.6 million for the six months ended 30 June 2021, representing a decrease of approximately HK\$53.9 million as compared to that of approximately HK\$176.5 million for the six months ended 30 June 2020.

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Sales and distribution of IT products	121,292	176,340
Repairs and service support	<u>1,279</u>	<u>147</u>
Revenue from contracts with customers	<u><u>122,571</u></u>	<u><u>176,487</u></u>

Sales and distribution of IT products

For the six months ended 30 June 2021, the revenue from sales and distribution of IT products continued to be the largest source of income of the Group which accounted for approximately 99.0% of the revenue of the Group. Revenue from sales and distribution of IT products consists of third-party IT products and video surveillance products carrying our own brand name. The decrease in revenue was mainly due to decrease in the quantity and the price of the third party IT products as a result of advancement of technology.

Provision of repairs and other service support of IT products

For the six months ended 30 June 2021, the revenue generated from repairs and service support increased from approximately HK\$0.1 million to approximately HK\$1.3 million. The increase in revenue was mainly due to the expanded service support of IT products in addition to video surveillance products carrying our own brand name.

Revenue by geographical location

	Six months ended 30 June	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Hong Kong	76,052	41,916
Taiwan	23,254	5,828
United States	15,302	69,475
Netherlands	5,697	58,127
Others	2,266	1,141
	<u>122,571</u>	<u>176,487</u>

For the six months ended 30 June 2021, Hong Kong market overtook the United States market and contributed approximately 62.0% (six months ended 30 June 2020: approximately 23.8%) of the Group's revenue. The Taiwan market contributed approximately 19.0% (six months ended 30 June 2020: approximately 3.3%) and the United States market contributed approximately 12.5% (six months ended 30 June 2020: approximately 39.4%) of the Group's revenue for the six months ended 30 June 2021. The change in the composition of the revenue was due to the change of product mix driven by the demand and supply of the IT products in each of the geographical location.

Cost of sales

A major component of the cost of sales was the cost of inventories. In line with the decrease in revenue, the cost of sales for the six months ended 30 June 2021 decreased to approximately HK\$112.5 million, as compared to that of approximately HK\$159.3 million for the corresponding period in 2020. There was a net reversal of provision of inventories, included in the cost of sales amounted approximately HK0.4 million as compared to a net provision of approximately HK\$0.9 million for the same period in 2020 to account for the decrease in slow-moving inventories.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$7.1 million for the six months ended 30 June 2021 as compared to that of the six months ended 30 June 2020. The overall gross profit margin decreased to approximately 8.2% for the six months ended 30 June 2021 which was caused by severe drop in prices on the end-of-life products following the launch of new chip technology, resulting in the dilution of overall gross margin.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 18.0% to approximately HK\$2.7 million during the six months ended 30 June 2021. A major component of the selling and distribution expenses was staff costs and commission and warehousing charges.

Administrative expenses

Administrative expenses decreased by approximately 13.7% to approximately HK\$7.5 million during the six months ended 30 June 2021. With improvements in operating efficiencies and rigorous financial discipline, the Group has been able to keep its administrative expenses reasonably low.

Net profit for the period

The Group recorded a net profit of approximately HK\$0.4 million and net profit of approximately HK\$5.3 million for the six months ended 30 June 2021 and 2020, respectively. The net profit for the six months ended 30 June 2021 was mainly contributed by the net profit of approximately HK\$0.4 million for the three months ended 30 June 2021. The Board considers that the profitability in the second quarter is generally in line with and comparable with the financial figures of the Group for the three months ended 31 March 2021 as disclosed in the quarterly report of the Company. The Group recorded a net profit of approximately HK\$0.02 million for the three months ended 31 March 2021.

Inventories and trade receivables

As at 30 June 2021, the inventory level decreased by approximately 43.4% to approximately HK\$18.3 million (31 December 2020: approximately HK\$32.3 million). The Group continued to monitor the inventory level and reduce the inventory risk, with an aim to shorten the cash conversion cycle.

Trade receivables remain stable at approximately HK\$0.8 million (31 December 2020: approximately HK\$0.8 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

Building upon the foundation and experience gained in 2020, 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. Due to the outbreak of COVID-19, there is certain delay in the business plan for the expansion of the repairs and service support segment, including the set up of new overseas repair centres. 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 organisation structure, and potential capital expenditures if it is deemed to strategically enhance its capabilities.

EMPLOYEE INFORMATION

As at 30 June 2021, the Group employed 21 (30 June 2020: 24) full time employees in Hong Kong and 12 (30 June 2020: 10) 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\$6,097,000 (30 June 2020: HK\$6,472,000).

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 2021, 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 2021, the Group had net current assets of approximately HK\$123,717,000 (31 December 2020: HK\$122,177,000) and cash and cash equivalents amounted to approximately HK\$87,667,000 (31 December 2020: HK\$104,695,000).

As at 30 June 2021, the gearing ratio, which is calculating on the basis of total debts over total equity of the Group was 11.1% (31 December 2020: 33.7%). The decrease in gearing ratio was mainly due to decrease in trade payables.

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2021 (six months ended 30 June 2020: Nil).

USE OF PROCEEDS FROM RIGHTS ISSUE

The Group completed the Rights Issue on 20 October 2017 resulting in net proceeds of approximately HK\$98,428,000. With reference to the circular dated 26 September 2017 and the announcement dated 28 March 2018, the details of the proposed use of proceeds and the actual use of proceeds are as follows:–

	Revised use of proceeds from the Rights Issue <i>HK\$'000</i>	Amount utilised up to 30 June 2021 <i>HK\$'000</i>	Amount unutilised as at 30 June 2021 <i>HK\$'000</i>	Expected time of full utilisation of the remaining balance <i>HK\$'000</i>
Expansion of the repairs and service support business	7,600	3,689	3,911	Fourth quarter in 2021
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
	<u>98,400</u>	<u>94,489</u>	<u>3,911</u>	

Up to 30 June 2021, an accumulated amount of approximately HK\$3,689,000 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 2021, 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 2021, 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 2021, 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 2021 (31 December 2020: Nil).

SIGNIFICANT INVESTMENT

The Group did not hold any significant investment during the six months ended 30 June 2021 (31 December 2020: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

The Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies for the six months ended 30 June 2021 (31 December 2020: Nil).

CHARGE ON ASSETS

As at 30 June 2021, a bank deposit of US\$4,000,000 (equivalent to approximately HK\$31,043,000) was pledged to a bank for the banking facility amounting to US\$8,000,000 (equivalent to approximately HK\$62,086,000) granted to the Group (31 December 2020: 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 2021.

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 2021, 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 2020: 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 2021, the Group did not have any contingent liabilities (31 December 2020: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As of 30 June 2021, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required under Divisions 7 and 8 of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required under Rule 5.46 of the GEM Listing Rules, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2021 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 2021.

SUBSTANTIAL SHAREHOLDERS

Long position in shares of the Company as at 30 June 2021

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 2021, 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 2021, none of the Directors, controlling shareholders or their respective close associates (as defined in the GEM Listing Rules) had any interests in a business that competes or may compete either directly or indirectly with the business of the Group.

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

The Company did not redeem any of its shares during the six months ended 30 June 2021. Neither the Company nor any of its subsidiaries purchased or sold any of the Company’s shares during the six months ended 30 June 2021.

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 2021, 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 2021, 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 2021, this announcement and the interim report, and has provided advice and comments thereon.

EVENT OCCURRING AFTER THE REPORTING PERIOD

Mr. Yeung Wai Hung Peter, an independent non-executive Director, was an independent non-executive director of Chinese Food and Beverage Group Limited up to July 2021, the shares of which were delisted from the Stock Exchange with effect from 13 July 2021.

By order of the Board

CircuTech International Holdings Limited

Mr. Hong Sung-Tai

Chairman

Hong Kong, 10 August 2021

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.