

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)

Quarterly Report

July to September
2016

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

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

*This report, for which the directors (“**Directors**” and each a “**Director**”) of CircuTech International Holdings Limited (formerly known as TeleEye Holdings Limited) (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) 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 report 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 report misleading.*



HIGHLIGHTS

- CircuTech International Holdings Limited (the “**Company**”) and its subsidiaries (collectively referred to as the “**Group**”) recorded a turnover of approximately HK\$4,688,000 for the three months ended 30 September 2016, representing a decrease of approximately HK\$1,864,000 when compared with the same period last year.
- The Group recorded a loss attributable to the owners of the Company of approximately HK\$3,047,000 for the three months ended 30 September 2016, representing an increase of approximately 191% when compared with the same period last year. The board (the “**Board**”) of Directors considers that the aforesaid increase in the net loss of the Group for the three months ended 30 September 2016 as compared to the corresponding period ended 30 September 2015 was mainly attributable to, among others, the following factors:
 - (i) decrease in revenue of the video and surveillance product line due to increased competition; and
 - (ii) increase in general operational, administrative expenses and professional fees following the close of the unconditional mandatory general offer in June 2016 in order to pursue new, strategic customers to grow the Group’s turnover and enhance shareholders’ returns.
- The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2016.

QUARTERLY RESULTS

The Board hereby announces the condensed unaudited consolidated results of the Group for the three months ended 30 September 2016, together with the comparative unaudited figures for the corresponding period in 2015, as follows:

CONDENSED UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Three months ended 30 September	
	<i>Notes</i>	2016 HK\$'000 (Unaudited)	2015 HK\$'000 (Unaudited)
Revenue	3	4,688	6,552
Cost of sales		(2,765)	(3,506)
		<hr/>	<hr/>
Gross profit		1,923	3,046
Other income		70	46
Selling and distribution costs		(924)	(938)
Administrative expenses		(3,313)	(2,494)
Research and development expenditure		(817)	(721)
		<hr/>	<hr/>
Loss before taxation	4	(3,061)	(1,061)
Income tax	5	–	–
		<hr/>	<hr/>
Loss for the period		(3,061)	(1,061)
		<hr/> <hr/>	<hr/> <hr/>
Other comprehensive income/ (expense):			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		15	(61)
		<hr/>	<hr/>
Other comprehensive income/ (expense) for the period		15	(61)
		<hr/>	<hr/>
Total comprehensive expense for the period		(3,046)	(1,122)
		<hr/> <hr/>	<hr/> <hr/>

		Three months ended 30 September	
		2016	2015
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
	<i>Notes</i>		
Loss for the period attributable to:			
Owners of the Company		(3,047)	(1,048)
Non-controlling interests		(14)	(13)
		(3,061)	(1,061)
Total comprehensive income/ (expense) for the period attributable to:			
Owners of the Company		(3,046)	(1,124)
Non-controlling interests		–	2
		(3,046)	(1,122)
Loss per share			
– Basic	6	0.36 HK cents	0.13 HK cents
– Diluted		0.36 HK cents	0.13 HK cents

NOTES TO THE CONDENSED UNAUDITED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL

The Company was incorporated in the Cayman Islands with limited liability and its shares are listed on the GEM of the Stock Exchange. Its parent is Foxconn (Far East) Limited, a company incorporated in the Cayman Islands and its ultimate parent is Hon Hai Precision Industry Co., Ltd., a company incorporated in Taiwan.

2. BASIS OF PREPARATION

The condensed unaudited consolidated financial information have been prepared in accordance with accounting principles generally accepted in Hong Kong, which include the Hong Kong Financial Reporting Standards (“**HKFRSs**”) and the Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the condensed unaudited consolidated financial information have also been prepared in accordance with the applicable disclosure requirements under Chapter 18 of the Rules Governing the Listing of Securities on GEM (the “**GEM Listing Rules**”). They have been prepared under the historical cost basis.

The principal accounting policies adopted in the preparation of the condensed unaudited consolidated financial information are consistent with those adopted by the Group in its annual financial statements for the year ended 30 June 2016, except for the adoption of all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 July 2016. The application of these new and revised HKFRSs in the current interim period has had no material effect on the amounts reported in this condensed unaudited consolidated financial information and/or disclosures set out in this condensed unaudited consolidated financial information.

The Group has not applied early the new and revised HKFRSs that have been issued but are not yet effective as of the date of this report. The Directors anticipate that the application of these new and revised HKFRSs will have no material impact on the results and the financial position of the Group.

3. REVENUE

Revenue represents the amounts received and receivable for goods sold, less returns and allowances to outside customers during the period.

4. LOSS BEFORE TAXATION

	Three months ended 30 September	
	2016 HK\$'000	2015 HK\$'000
Loss before taxation has been arrived at after charging/(crediting):		
Allowance for bad and doubtful debts	25	177
Allowance for obsolete stocks (included in cost of sales)	75	36
Amortisation of capitalised development costs (included in research and development expenditure)	148	227
Depreciation of property, plant and equipment	27	33
Loss on disposal of property, plant and equipment	33	–
Interest income	(1)	(2)
Net foreign exchange losses	41	3

5. INCOME TAX

Hong Kong Profits Tax is calculated at the rate of 16.5% of the estimated assessable profits for both periods. No Hong Kong Profits Tax was provided as there were no assessable profits for both periods.

Taxation arising in other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

6. LOSS PER SHARE

The calculation of basic and diluted loss per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 September	
	2016 <i>HK\$'000</i>	2015 <i>HK\$'000</i>
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	(3,047)	(1,048)
	'000	'000
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	836,921	836,921

The weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share has been adjusted for the share subdivision that occurred in August 2015.

7. MOVEMENT OF RESERVES

	Attributable to owners of the Company							Non-controlling interests	Total	
	Share capital	Share premium	Translation reserve	Investment revaluation reserve	Share options reserve	Special reserve	Accumulated losses			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1 July 2015 (audited)	3,348	85,917	(624)	-	-	14,990	(24,868)	78,763	(495)	78,268
Loss for the period	-	-	-	-	-	-	(1,048)	(1,048)	(13)	(1,061)
Other comprehensive income/ (expense) for the period										
Exchange differences arising on translating foreign operations	-	-	(76)	-	-	-	-	(76)	15	(61)
Total comprehensive income/ (expense) for the period	-	-	(76)	-	-	-	(1,048)	(1,124)	2	(1,122)
At 30 September 2015 (unaudited)	3,348	85,917	(700)	-	-	14,990	(25,916)	77,639	(493)	77,146
At 1 July 2016 (audited)	3,348	85,917	50	-	-	14,990	(33,561)	70,744	(476)	70,268
Loss for the period	-	-	-	-	-	-	(3,047)	(3,047)	(14)	(3,061)
Other comprehensive income for the period										
Exchange differences arising on translating foreign operations	-	-	1	-	-	-	-	1	14	15
Total comprehensive income/ (expense) for the period	-	-	1	-	-	-	(3,047)	(3,046)	-	(3,046)
At 30 September 2016 (unaudited)	3,348	85,917	51	-	-	14,990	(36,608)	67,698	(476)	67,222



INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 30 September 2016 (2015: Nil).

FINANCIAL REVIEW

For the three months ended 30 September 2016, the Group recorded a turnover of approximately HK\$4,688,000, representing a decrease of about 28% as compared with a turnover of approximately HK\$6,552,000 of the same period in last year. The Group recorded a loss attributable to the owners of the Company of approximately HK\$3,047,000 for the three months ended 30 September 2016, representing an increase of approximately 191% when compared with the same period last year. The loss was mainly attributable to, among others, the following factors:

- (i) decrease in revenue of the video and surveillance product line due to increased competition; and
- (ii) increase in general operational, administrative expenses and professional fees following the close of the unconditional mandatory general offer in June 2016 in order to pursue new, strategic customers to grow the Group's turnover and enhance shareholders' returns.

BUSINESS REVIEW

In the current financial period, a new series of lower priced Analog HD equipment was introduced to complement the existing digital HD product line. However, the increase in the HD product line shipment did not compensate for the drop in average selling price, resulting in lower total turnover and lower gross profit ratio of approximately 41% versus approximately 46% for the same period last year.

BUSINESS OUTLOOK

We believe our foundation and experience in international distribution and fulfilment support of IT products is our core competence. We are in the process of strengthening the management team and our overseas organisational structure. With the background and industry influence of our new controlling shareholder, we are pursuing new customers and developing business opportunities including distribution of third party IT products to further build upon the Group's international distribution and technical support capabilities in order to expand IT products coverage and to broaden our income base.

To accelerate the strengthening of the Group's aforesaid core competence, we anticipate additional fundraising may from time to time be required to support the working capital as the business scale increases and we incur additional capital expenditure for such business growth. This entails procurement of inventories, investments in expanding and revamping overseas organisational infrastructure, hiring, and potentially asset injection by means of stock and/or cash purchase if it is deemed to strategically enhance our capabilities. We expect a series of intense strategy execution in the coming financial year, with a dedicated objective to deliver returns to the shareholders of the Company.

OTHER EVENTS

Change of Principal Place of Business in Hong Kong

The principal place of business of the Company in Hong Kong has been changed to 31/F, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong with effect 5 August 2016.

Change of Company Name, Stock Short Name and Website

The name of the Company has been changed from "TeleEye Holdings Limited 千里眼控股有限公司" to "CircuTech International Holdings Limited 訊智海國際控股有限公司" with effect from 30 August 2016 with the approval of, among others, the shareholders of the Company at the extraordinary general meeting held on 30 August 2016. The stock short names of the Company have also been changed to "CIRCUTECH" and "訊智海" with effect from 9:00 a.m. on 20 October 2016. The new website of the Company at "www.circutech.com" has also commenced operation on 20 October 2016.

Change of Financial Year End

The Company's financial year end has been changed from 30 June to 31 December and the current financial period for 2016 will cover a six-month period from 1 July 2016 to 31 December 2016.

Proposed Adoption of Share Option Scheme

In order to provide the Company with the flexibility of granting share options to the Directors and employees as incentives or rewards for their contribution or potential contribution to the Group, the Board proposed to adopt a share option scheme on 30 September 2016. Further details of the share option scheme is set out in the circular of the Company dated 30 September 2016. Among other conditions, resolution for the approval of the share option scheme by the shareholders of the Company was passed at the annual general meeting of the Company held on 11 November 2016.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As of 30 September 2016, none of the Directors and chief executive of the Company were interested in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("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 three months ended 30 September 2016 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of eighteen, had any rights to subscribe for securities of the Company or had exercised any such right during the three months ended 30 September 2016.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES

As of 30 September 2016, so far as is known to the Directors and chief executive of the Company, the interests and short positions of the persons or corporations in the shares and underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long position in shares of the Company ("Shares")

Name of shareholders	Capacity	Number of Shares held/interested	Percentage of the issued share capital of the Company (approximately)
Foxconn (Far East) Limited	Beneficial owner	419,080,100	50.07%
Hon Hai Precision Industry Co., Ltd.	Interest in controlled corporation	419,080,100	50.07%

Note:

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

Save as disclosed above, as of 30 September 2016, 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 Division 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.

COMPETITION AND CONFLICT OF INTERESTS

During the three months ended 30 September 2016, the Directors were not aware of any business or interest of the Directors, controlling shareholders of the Company (as defined in the GEM Listing Rules) and their 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 three months ended 30 September 2016, 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

During the three months ended 30 September 2016, 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 had confirmed that during his/her tenure as Director in the three months ended 30 September 2016, he/she had fully complied with the required standard of dealings and the code of conduct regarding securities transactions by Directors adopted by the Company and there was no event of non-compliance.

CORPORATE GOVERNANCE CODE

During the three months ended 30 September 2016, the Company had 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.

As of the date of this report, Dr. Woo Kwok Fai Louis performs both the role of the chairman and chief executive officer. The Board considers that this structure will not impair the balance of power and authority between the Board and the management of the Company and is conducive to strong and consistent leadership which enables the Group to operate efficiently. The Board will meet regularly to consider major matters affecting the operations of the Group. The roles of the respective executive Directors and senior management, who are in charge of different functions, complement the role of the chairman and chief executive officer.

AUDIT COMMITTEE

The Audit Committee of the Company consists of four members, comprising three independent non-executive Directors, namely Ms. Wu Yi Shuan (chairperson), Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben, and one non-executive Director, namely Mr. Tse Tik Yang Denis.

The primary duties of the Audit Committee are to review and oversee the financial reporting system, risk management system and internal control system of the Group. The Audit Committee has been assisted by the professional accounting firm engaged by the Group, which will conduct regular internal audits and report to the Audit Committee. The Audit Committee is also responsible for, among other things, reviewing the Company's annual report and financial statements, quarterly reports and half-yearly report, reviewing significant financial reporting judgments contained therein and providing advice and comments thereon to the Board.

The Audit Committee has reviewed the condensed unaudited consolidated financial statement of the Group, this report and the quarterly result announcement, and has provided advice and comments thereon.

By order of the Board
CircuTech International Holdings Limited
Dr. Woo Kwok Fai Louis
Chairman and Chief Executive Officer

Hong Kong, 11 November 2016

As at the date of this report, the executive Directors are Dr. Woo Kwok Fai Louis, Mr. Hui Lap Shun, Mr. Chien Yi-Pin, Ms. Chen Ching-Hsuan and Mr. Chen Haining; the non-executive Director is Mr. Tse Tik Yang Denis; and the independent non-executive Directors are Mr. Yeung Wai Hung Peter, Ms. Wu Yi Shuan and Mr. Miao Benny Hua-ben.