

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)



2017
FIRST
QUARTERLY
REPORT

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

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*This report, 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 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

- The Company and its subsidiaries (collectively referred to as the “**Group**”) recorded a turnover of approximately HK\$3,915,000 for the three months ended 31 March 2017, representing a decrease of approximately HK\$1,795,000 when compared with the same period last year.
- The Group recorded a loss attributable to the owners of the Company of approximately HK\$2,733,000 for the three months ended 31 March 2017, representing an increase of approximately 67% 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 31 March 2017 as compared to the corresponding period ended 31 March 2016 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 administrative expenses mainly due to increase in professional fees in order to pursue new, strategic customers to grow the Group’s international sales and distribution of third party IT products and the post-sales support services to enhance shareholders’ returns as a whole.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017 (three months ended 31 March 2016: Nil).

QUARTERLY RESULTS

The Board hereby announces the unaudited condensed consolidated results of the Group for the three months ended 31 March 2017, together with the comparative unaudited figures for the corresponding period in 2016, as follows:

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

		Three months ended 31 March	
	<i>Notes</i>	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	3	3,915	5,710
Cost of sales		(2,382)	(3,735)
		<hr/>	<hr/>
Gross profit		1,533	1,975
Other income		130	17
Selling and distribution costs		(684)	(914)
Administrative expenses		(3,218)	(2,240)
Research and development expenditure		(494)	(472)
		<hr/>	<hr/>
Loss before taxation	4	(2,733)	(1,634)
Income tax	5	–	–
		<hr/>	<hr/>
Loss for the period		(2,733)	(1,634)
		<hr/> <hr/>	<hr/> <hr/>
Other comprehensive income for the period:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences arising on translating foreign operations		(11)	(61)
		<hr/>	<hr/>
Other comprehensive income for the period		(11)	(61)
		<hr/>	<hr/>
Total comprehensive income for the period		(2,744)	(1,695)
		<hr/> <hr/>	<hr/> <hr/>

		Three months ended	
		31 March	
	<i>Notes</i>	2017 HK\$'000 (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Loss for the period attributable to:			
Owners of the Company		(2,732)	(1,626)
Non-controlling interests		(1)	(8)
		(2,733)	(1,634)
Total comprehensive income for the period attributable to:			
Owners of the Company		(2,741)	(1,699)
Non-controlling interests		(3)	4
		(2,744)	(1,695)
Loss per share			
– Basic and diluted	6	16.32 HK cents	(Restated) 9.71 HK cents

NOTES TO THE UNAUDITED CONDENSED 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 unaudited condensed 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 unaudited condensed consolidated financial information have also been prepared in accordance with the applicable disclosure requirements under Chapter 18 of the GEM Listing Rules. They have been prepared under the historical cost basis.

The principal accounting policies adopted in the preparation of the unaudited condensed consolidated financial information are consistent with those adopted by the Group in its financial statements for the six months ended 31 December 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 January 2017. The application of these new and revised HKFRSs in the current period have had no material effect on the amounts reported in this unaudited condensed consolidated financial information and/or disclosures set out in this unaudited condensed 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 AND SEGMENT INFORMATION

Segment profit/loss represents the profit earned by/loss from each segment without allocation of central administration costs, directors' emoluments and interest income. This is the measure reported to the chief operating decision makers for the purposes of resource allocation and performance assessment.

- | | | |
|---------------------------------------|---|---|
| Sales and distribution of IT products | – | Design, manufacturing and marketing of video surveillance systems and distribution of third party IT products |
| Repairs and service support | – | Provision of repair, maintenance and other service support for electronic products |

The following is an analysis of the Group's revenue and results by reportable and operating segment.

Three months ended 31 March 2017

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External sales and segment revenue	3,911	4	3,915
	<u>3,911</u>	<u>4</u>	<u>3,915</u>
Segment (loss)/profit			
	(361)	3	(358)
	<u>(361)</u>	<u>3</u>	<u>(358)</u>
Interest income from bank deposits			1
Unallocated expenses			(2,376)
			<u>1</u>
Loss before taxation			(2,733)
			<u>(2,733)</u>

Three months ended 31 March 2016

	Sales and distribution of IT products <i>HK\$'000</i>	Repairs and service support <i>HK\$'000</i>	Total <i>HK\$'000</i>
Revenue			
External sales and segment revenue	5,710	–	5,710
	<u>5,710</u>	<u>–</u>	<u>5,710</u>
Segment loss	(1,636)	–	(1,636)
	<u>(1,636)</u>	<u>–</u>	<u>(1,636)</u>
Interest income from bank deposits			2
			<u>2</u>
Loss before taxation			(1,634)
			<u>(1,634)</u>

4. LOSS BEFORE TAXATION

	Three months ended 31 March	
	2017 HK\$'000	2016 HK\$'000
Loss before taxation has been arrived at after charging/(crediting):		
Reversal of allowance for bad and doubtful debts	(4)	(18)
Allowance/(reversal of allowance) for obsolete stocks (included in cost of sales)	166	(255)
Amortisation of capitalised development costs (included in research and development expenditure)	148	227
Depreciation of property, plant and equipment	31	30
Loss on disposal of property, plant and equipment	10	1
Interest income	(1)	(2)
Net foreign exchange gain	(8)	(1)
	_____	_____

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 31 March	
	2017	2016
	HK\$'000	HK\$'000
Loss		
Loss for the purpose of basic and diluted loss per share (Loss for the period attributable to owners of the Company)	(2,732)	(1,626)
	'000	'000 (Restated)
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted loss per share	16,738	16,738

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

The weighted average number of ordinary shares for the purpose of basic earnings per share for the period ended 31 March 2017 has been adjusted for the share consolidation on 6 February 2017.

The comparative figures for the basic earnings per share for the period ended 31 March 2017 are restated to take into the account of the effect of the above share consolidation during the period retrospectively as if it had taken place before the beginning of the comparative period.

7. MOVEMENT OF RESERVES

	Attributable to owners of the Company						Non-controlling interests HK\$'000	Total HK\$'000
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000		
At 1 January 2016 (unaudited)	3,348	85,917	(792)	14,990	(26,947)	76,516	(491)	76,025
Loss for the period	-	-	-	-	(1,626)	(1,626)	(8)	(1,634)
Other comprehensive income for the period								
Exchange differences arising on translating foreign operations	-	-	(73)	-	-	(73)	12	(61)
Total comprehensive income for the period	-	-	(73)	-	(1,626)	(1,699)	4	(1,695)
At 31 March 2016 (unaudited)	3,348	85,917	(865)	14,990	(28,573)	74,817	(487)	74,330
At 1 January 2017 (audited)	3,348	85,917	153	14,990	(41,078)	63,330	(462)	62,868
Loss for the period	-	-	-	-	(2,732)	(2,732)	(1)	(2,733)
Other comprehensive income for the period								
Exchange differences arising on translating foreign operations	-	-	(9)	-	-	(9)	(2)	(11)
Total comprehensive income for the period	-	-	(9)	-	(2,732)	(2,741)	(3)	(2,744)
At 31 March 2017 (unaudited)	3,348	85,917	144	14,990	(43,810)	60,589	(465)	60,124

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2017 (2016: Nil).

FINANCIAL REVIEW

For the three months ended 31 March 2017, the Group recorded a turnover of approximately HK\$3,915,000, representing a decrease of about 31% as compared with a turnover of approximately HK\$5,710,000 of the same period in 2016. The Group recorded a loss attributable to the owners of the Company of approximately HK\$2,733,000 for the three months ended 31 March 2017, representing an increase of approximately 67% 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 administrative expenses mainly due to increase in professional fees in order to pursue new, strategic customers to grow the Group's international sales and distribution of third party IT products and the post-sales support services to enhance shareholders' returns as a whole.

BUSINESS REVIEW

The Group mainly engage in two business segments, namely i) sales and distribution of IT products; and ii) repairs and service support. During the three months ended 31 March 2017, total revenue decreased by 31% to HK\$3.9 million from HK\$5.7 million for the three months ended 31 March 2016, mainly because of the continuous commoditisation of the market and the softening demand of the Analogue Digital Video Recorder. During this financial period, the Group continuously rationalised its operations, while at the same time invested in overseas subsidiaries and equipment to further strengthen its global infrastructure to pursue new, strategic customers to increase the Group's turnover and enhance shareholders' returns. Operating expenses, as a result, have increased, and totaled approximately HK\$4.4 million for the current period versus approximately HK\$3.6 million for the three months ended 31 March 2016.

BUSINESS OUTLOOK

The Group has started to sell and distribute third party IT products in April 2017 to augment its product offerings; furthermore, continue to expand its repair and service support network in order to pursue new, strategic customers to grow the Group's turnover and enhance shareholders' returns.

OTHER EVENTS

Share Consolidation and Change in Board Lot Size

With the approval of the shareholders at the extraordinary general meeting held on 3 February 2017, the share consolidation, pursuant to which every 50 issued and unissued ordinary shares with a par value of HK\$0.004 each were consolidated into 1 consolidated share with a par value of HK\$0.20 each in the share capital of the Company, became effective on 6 February 2017. Following the share consolidation becoming effective, the board lot size for trading on the Stock Exchange has changed from 10,000 shares with a par value of HK\$0.004 each to 200 consolidated shares with a par value of HK\$0.20 each.

Change of Directors and Authorised Representative

With effect from 9 February 2017, Mr. Tse Tik Yang Denis has resigned as a non-executive Director, a member of the Nomination Committee, the Remuneration Committee and the Audit Committee respectively.

Mr. Cheng Michael Ichiang has been appointed as an executive Director, a member of the Nomination Committee and the Remuneration Committee respectively on 9 February 2017. Mr. Cheng Michael Ichiang will retire, in accordance with Article 86(3) of the articles of association of the Company and code provision A.4.2 of the Corporate Governance Code in Appendix 15 of the GEM Listing Rules, and being eligible, offers himself for re-election by the shareholders of the Company at the Company's forthcoming AGM, being the first general meeting after his appointment.

Mr. Cheng Michael Ichiang has also been appointed as an authorised representative of the Company under the GEM Listing Rules in place of Mr. Tse Tik Yang Denis with effect from 9 February 2017.

Change of Company Secretary

Ms. Lau Yee Wa has been appointed as the company secretary of the Company with effect from 12 April 2017 in place of Ms. Chow Pui Ki.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As of 31 March 2017, none of the Directors and chief executive of the Company was 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 (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 three months ended 31 March 2017 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 rights during the three months ended 31 March 2017.

SUBSTANTIAL SHAREHOLDERS AND OTHER PERSON'S INTERESTS IN SHARES

As of 31 March 2017, so far as is known to the Directors and chief executive of the Company, the interests and short positions of the persons or corporations in the shares and underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO, were as follows:

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

Name of shareholders	Capacity	Number of Shares held/interested	Percentage of the issued share capital of the Company (approximate)
Foxconn (Far East) Limited	Beneficial owner	8,381,602	50.07%
Hon Hai Precision Industry Co., Ltd.	Interest of a controlled corporation	8,381,602	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 31 March 2017, 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 31 March 2017, the Directors were not aware of any business or interest of the Directors, controlling shareholders of the Company 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 31 March 2017, 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 (including former Director who acted as Director during the reporting period) has confirmed that during his/her tenure as Director in the three months ended 31 March 2017, 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 three months ended 31 March 2017, the Company has complied with the required code provisions set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules except for Code Provisions A.2.1, which stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and the chief executive officer should be clearly established and set out in writing.

As of the date of this report, Dr. Woo Kwok Fai Louis performs both the roles of the chairman and chief executive officer. He is responsible for the overall business strategy and development and management of the Group. 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 of the Company.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are to review and supervise the financial reporting system, risk management and internal control systems and the effectiveness of the internal audit function of the Group. 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 and providing advice and comments thereon to the Board.

The Audit Committee has reviewed the unaudited condensed consolidated financial statement of the Group, this report and the quarterly results 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, 10 May 2017

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, Mr. Cheng Michael Ichiang and Mr. Chen Haining; and the independent non-executive Directors are Mr. Yeung Wai Hung Peter, Ms. Wu Yi Shuan and Mr. Miao Benny Hua-ben.