



**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
INTERIM
REPORT

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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 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 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 Group recorded a turnover of approximately HK\$14,628,000 for the six months ended 30 June 2017, representing an increase of approximately 26% when compared with the same period in 2016.
- The Group recorded a loss attributable to the owners of the Company of approximately HK\$5,991,000 for the six months ended 30 June 2017, representing a decrease of approximately 9% when compared with the same period in 2016. The board of Directors (the “**Board**”) considers that the improvement is mainly attributable to (i) the strengthened control over operations which streamlined operating procedures and increased the cost efficiency to achieve better performance for the continuous development of the Group; and (ii) augmented product offerings after the Group has started to sell and distribute third parties IT products in April 2017.
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017.



羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CIRCUTECH INTERNATIONAL HOLDINGS LIMITED

(incorporated in Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 30, which comprises the interim condensed consolidated statement of financial position of CircuTech International Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") as at 30 June 2017 and the related interim condensed consolidated statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on the Growth Enterprise Market of The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CIRCUTECH INTERNATIONAL HOLDINGS LIMITED *(continued)*

(incorporated in Cayman Islands with limited liability)

SCOPE OF REVIEW

We conducted our review 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 Hong Kong Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

OTHER MATTERS

The comparative information for the interim condensed consolidated statement of financial position is based on the audited financial statements as at 31 December 2016. The comparative information for the interim condensed consolidated statements of comprehensive income, changes in equity and cash flows, and related explanatory notes, for the period ended 30 June 2016 has not been audited or reviewed.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 11 August 2017

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Three months ended 30 June		Six months ended 30 June	
		2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Revenue	6	10,713	5,897	14,628	11,607
Cost of sales		(8,487)	(3,912)	(10,869)	(7,647)
Gross profit		2,226	1,985	3,759	3,960
Other income		133	70	263	87
Selling and distribution costs		(701)	(951)	(1,385)	(1,865)
Administrative expenses		(4,402)	(5,353)	(7,620)	(7,593)
Research and development expenditure		(516)	(766)	(1,010)	(1,238)
Loss before income tax	8	(3,260)	(5,015)	(5,993)	(6,649)
Income tax	9	-	-	-	-
Loss for the period		(3,260)	(5,015)	(5,993)	(6,649)
Other comprehensive income for the period:					
<i>Items that may be reclassified to profit or loss</i>					
Currency translation differences		29	953	18	892
Other comprehensive income for the period		29	953	18	892
Total comprehensive loss for the period		(3,231)	(4,062)	(5,975)	(5,757)

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(continued)*

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss for the period attributable to:				
Owners of the Company	(3,259)	(4,988)	(5,991)	(6,614)
Non-controlling interests	(1)	(27)	(2)	(35)
	<u>(3,260)</u>	<u>(5,015)</u>	<u>(5,993)</u>	<u>(6,649)</u>
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	(3,210)	(4,073)	(5,951)	(5,772)
Non-controlling interests	(21)	11	(24)	15
	<u>(3,231)</u>	<u>(4,062)</u>	<u>(5,975)</u>	<u>(5,757)</u>
Loss per share attributable to owners of the Company <i>(HK cents per share)</i>				
– Basic and diluted	11 19.47	29.80	35.79	39.51

The notes on pages 10 to 30 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	<i>Note</i>	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
ASSETS			
Non-current assets			
Property, plant and equipment	12	11,537	11,627
Capitalised development costs		165	461
Available-for-sale financial asset		1,462	–
		13,164	12,088
Current assets			
Inventories		53,071	1,560
Trade and other receivables	13	5,315	2,754
Restricted bank deposits	14	15,583	–
Cash and cash equivalents		22,598	49,460
		96,567	53,774
LIABILITIES			
Current liabilities			
Trade and other payables	15	52,838	2,994
Net current assets		43,729	50,780
Total assets less current liabilities		56,893	62,868
EQUITY			
Equity attributable to owners of the Company			
Share capital	16	3,348	3,348
Reserves		54,031	59,982
		57,379	63,330
Non-controlling interests		(486)	(462)
Total equity		56,893	62,868

The notes on pages 10 to 30 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Unaudited							
	Attributable to owners of the Company						Non-controlling interests	
	Share capital HK\$'000	Share premium HK\$'000	Translation reserve HK\$'000	Special reserve HK\$'000	Accumulated losses HK\$'000	Total HK\$'000	HK\$'000	Total HK\$'000
Balance at 1 January 2017	3,348	85,917	153	14,990	(41,078)	63,330	(462)	62,868
Loss for the period	-	-	-	-	(5,991)	(5,991)	(2)	(5,993)
Other comprehensive income/(loss) for the period end 30 June 2017								
Currency translation differences	-	-	40	-	-	40	(22)	18
Total comprehensive income/(loss) for the period	-	-	40	-	(5,991)	(5,951)	(24)	(5,975)
Balance at 30 June 2017	<u>3,348</u>	<u>85,917</u>	<u>193</u>	<u>14,990</u>	<u>(47,069)</u>	<u>57,379</u>	<u>(486)</u>	<u>56,893</u>
Balance at 1 January 2016	3,348	85,917	(792)	14,990	(26,947)	76,516	(491)	76,025
Loss for the period	-	-	-	-	(6,614)	(6,614)	(35)	(6,649)
Other comprehensive income/(loss) for the period ended 30 June 2016								
Currency translation differences	-	-	842	-	-	842	50	892
Total comprehensive income/(loss) for the period	-	-	842	-	(6,614)	(5,772)	15	(5,757)
Balance at 30 June 2016	<u>3,348</u>	<u>85,917</u>	<u>50</u>	<u>14,990</u>	<u>(33,561)</u>	<u>70,744</u>	<u>(476)</u>	<u>70,268</u>

The special reserve of the Group represents the difference between the aggregate of the nominal value of share capital of the subsidiaries acquired pursuant to a group reorganisation in April 2001 and the nominal value of the share capital issued by the Company as consideration for the acquisition.

The notes on pages 10 to 30 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Net cash used in operating activities	(9,743)	(2,373)
Net cash used in investing activities:		
Increase in capitalised development costs	–	(250)
Increase in available-for-sale financial asset	(1,462)	–
Additions of property, plant and equipment	(28)	(5)
Disposal of subsidiaries	–	(20)
Increase in restricted bank deposits	(15,583)	–
	(17,073)	(275)
Net decrease in cash and cash equivalents	(26,816)	(2,648)
Cash and cash equivalents at beginning of the period	49,460	68,168
Exchange (losses)/gains on cash and cash equivalents	(46)	762
Cash and cash equivalents at end of the period	22,598	66,282

The notes on pages 10 to 30 form an integral part of this interim consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1. GENERAL 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 Group has operations mainly in Hong Kong, the People's Republic of China (the "**PRC**") and the United Kingdom (the "**UK**").

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

The Company has its primary listing on the GEM of the Stock Exchange.

This condensed consolidated interim financial information is presented in Hong Kong dollars ("**HK\$**"), unless otherwise stated.

2. BASIS OF PREPARATION AND PRESENTATION

The condensed consolidated interim financial statements for the six months ended 30 June 2017 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 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

3. 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 2016, as described in those annual financial statements, except for the adoption of amendments to standards effective for the financial year ending 31 December 2017 and policies described below.

3.1 Available-for-sale financial assets

(i) Classification

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

(ii) Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Available-for-sale financial assets are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value.

Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

3. ACCOUNTING POLICIES *(continued)*

3.1 Available-for-sale financial assets *(continued)*

(ii) Recognition and measurement (continued)

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the condensed consolidated statement of comprehensive income as “gains and losses from investment securities”.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the condensed consolidated statement of comprehensive income as part of other income. Dividends on available-for-sale equity instruments are recognised in the condensed consolidated statement of comprehensive income as part of other income when the Group’s right to receive payments is established.

(iii) Impairment of financial assets classified as available-for-sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity and recognised in profit or loss. Impairment losses recognised in the condensed consolidated statement of comprehensive income on equity instruments are not reversed through the condensed consolidated statement of comprehensive income.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

3. ACCOUNTING POLICIES *(continued)*

3.2 Amendments to standards adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning 1 January 2017.

Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKAS 7	Disclosure Initiative
Amendment to HKFRS 12	Disclosure of interest in other entities

The adoption of the above amended standards did not have a material impact on the Group's condensed consolidated interim financial information.

3.3 New and amended standards not yet adopted by the Group

A number of new and amended standards are effective for annual periods beginning after 1 January 2017 and have not been adopted in preparing the condensed consolidated interim financial information.

		Effective for accounting periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to HKAS 40	Investment Property	1 January 2018
HK(IFRIC) – Int 22	Foreign currency transactions and advance consideration	1 January 2018
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018
HKFRS 16	Leases	1 January 2019

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

3. ACCOUNTING POLICIES *(continued)*

3.3 New and amended standards not yet adopted by the Group *(continued)*

None of the above is expected to have a significant effect on the Group's consolidated financial statements, except the following:

(i) HKFRS 9 "Financial Instruments"

HKFRS 9 "Financial instruments" replaces the whole of HKAS 39. HKFRS 9 has three financial asset classification categories for investments in debt instruments: amortised cost, fair value through other comprehensive income ("**OCI**") and fair value through profit or loss. Classification is driven by the entity's business model for managing the debt instruments and their contractual cash flow characteristics.

Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in OCI, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

HKFRS 9 also introduces a new model for the recognition of impairment losses – the expected credit losses ("**ECL**") model, which constitutes a change from the incurred loss model in HKAS 39. HKFRS 9 contains a "three stage" approach, which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest rate method. The new rules mean that on initial recognition of a non-credit impaired financial asset carried at amortised cost a day-1 loss equal to the 12-month ECL is recognised in profit or loss. In the case of accounts receivables this day-1 loss will be equal to their lifetime ECL.

Where there is a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

3. ACCOUNTING POLICIES *(continued)*

3.3 New and amended standards not yet adopted by the Group *(continued)*

(ii) HKFRS 15 “Revenue from contracts with customers”

HKFRS 15 “Revenue from Contracts with Customers” – this new standard replaces the previous revenue standards: HKAS 18 “Revenue” and HKAS 11 “Construction Contracts”, and the related Interpretations on revenue recognition. HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach:

- (1) Identify the contract(s) with customer;
- (2) Identify separate performance obligations in a contract;
- (3) Determine the transaction price;
- (4) Allocate transaction price to performance obligations; and
- (5) Recognise revenue when performance obligation is satisfied.

The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an “earnings processes” to an “asset liability” approach based on transfer of control. HKFRS 15 provides specific guidance on capitalisation of contract cost, license arrangements and principal versus agent considerations. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity’s contracts with customers. Meanwhile, there will be additional disclosure requirement under HKFRS 15 upon its adoption. HKFRS 15 is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

3. ACCOUNTING POLICIES *(continued)*

3.3 New and amended standards not yet adopted by the Group *(continued)*

(iii) HKFRS 16 “Leases”

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK\$897,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date.

The Group is in the process of making an assessment of what the impact of these new standards and amendments to existing standards would be in the period of initial application, but not yet in a position to state whether they would have a significant impact to the Group's results and financial position.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

4. ESTIMATES

The preparation of interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2016.

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS

5.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The interim condensed consolidated financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2016.

There have been no changes in the risk management policies since year end.

5.2 Liquidity risk

Compared to year end, there was no material change in the contractual undiscounted cash outflows for financial liabilities.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.3 Fair value estimation

The carrying amounts of the Group's financial assets including cash and cash equivalents, restricted cash, trade and other receivables and available-for-sale financial asset; and financial liabilities including trade and other payables approximate their fair values due to their short maturities. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques.

The carrying value of financial instruments measured at fair value at the balance sheet date are categorised among the three levels of the fair value hierarchy defined in HKFRS 13, "Fair value Measurement", with the fair value of each financial instrument categorised in its entirety based on the lowest level of input that is significant to that fair value measurement. The levels are defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

5. FINANCIAL RISK MANAGEMENT AND FINANCIAL INSTRUMENTS *(continued)*

5.3 Fair value estimation *(continued)*

The following table presents the Group's financial asset that is measured at fair value at 30 June 2017.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Available-for-sale financial asset				
– Equity security, unlisted	–	–	1,462	1,462
	<u>–</u>	<u>–</u>	<u>1,462</u>	<u>1,462</u>

The following table presents the Group's financial asset that is measured at fair value at 31 December 2016.

	Level 1 <i>HK\$'000</i>	Level 2 <i>HK\$'000</i>	Level 3 <i>HK\$'000</i>	Total <i>HK\$'000</i>
Assets				
Available-for-sale financial asset				
– Equity security, unlisted	–	–	–	–
	<u>–</u>	<u>–</u>	<u>–</u>	<u>–</u>

There were no transfers between Levels 1 and 2 during the period.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

6. REVENUE

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

	Three months ended 30 June		Six months ended 30 June	
	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)	2017 <i>HK\$'000</i> (Unaudited)	2016 <i>HK\$'000</i> (Unaudited)
Sales and distribution of IT products	10,707	5,897	14,618	11,607
Repairs and service support	6	–	10	–
	<u>10,713</u>	<u>5,897</u>	<u>14,628</u>	<u>11,607</u>

7. 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.

Management considers the business from a product perspective whereby management assesses the performance of sales and distribution of IT products and repairs and service support.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

7. SEGMENT INFORMATION *(continued)*

During the six months ended 30 June 2017 and 2016, the Group's operating and reporting segments are as follows:

- 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 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 2017 and 2016 is as follows:

Six months ended 30 June 2017 (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			
External sales and segment revenue	14,618	10	14,628
Segment profit			
	38	9	47
Interest income from bank deposits			1
Unallocated corporate expenses <i>(Note)</i>			(6,041)
Loss before income tax			(5,993)

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

7. SEGMENT INFORMATION *(continued)*

Six months ended 30 June 2016 (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			
External sales and segment revenue	11,607	–	11,607
	<u>11,607</u>	<u>–</u>	<u>11,607</u>
Segment loss	(2,518)	–	(2,518)
	<u>(2,518)</u>	<u>–</u>	<u>(2,518)</u>
Interest income from bank deposits			5
Unallocated corporate expenses <i>(Note)</i>			(4,136)
			<u>(4,136)</u>
Loss before income tax			(6,649)
			<u>(6,649)</u>

Note:

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

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

7. SEGMENT INFORMATION *(continued)*

Geographical information

The Group's revenue is mainly derived from customers located in Asia, Europe and Africa, while the Group's business activities are conducted predominantly in Hong Kong, the PRC and the UK.

	Six months ended 30 June	
	2017	2016
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Asia	10,170	8,077
Europe	3,819	2,227
Africa	628	1,175
Others	11	128
	<hr/> 14,628 <hr/>	<hr/> 11,607 <hr/>

Revenue is allocated based on the countries where the Group's customers are located.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

8. LOSS BEFORE INCOME TAX

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

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
(Reversal of)/provision for inventories (included in cost of sales)	(113)	(786)	53	(531)
Amortisation of capitalised development costs (included in research and development expenditure)	148	823	296	1,050
Depreciation of property, plant and equipment	26	30	57	60
Loss on disposal of property, plant and equipment	51	4	61	5
Interest income	–	(3)	(1)	(5)
Net foreign exchange (gain)/loss	(109)	1,158	(117)	1,157
Reversal of provision on trade receivables	(25)	(34)	(29)	(52)
	2017	2016	2017	2016

9. INCOME TAX

Hong Kong and overseas profits tax is calculated at the rate of 16.5% (2016:16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively. No profits tax was provided as there was no assessable profits for the period (2016: Nil).

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

11. LOSS PER SHARE

(a) Basic

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by weighted average number of ordinary shares in issue during the periods.

	Three months ended 30 June		Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Loss for the period attributable to owners of the Company	(3,259)	(4,988)	(5,991)	(6,614)
Weighted average number of ordinary shares <i>(thousands)</i>	16,738	16,738	16,738	16,738
Basic loss per share <i>(HK cents per share)</i>	19.47	29.80	35.79	39.51

(b) Diluted

Diluted loss per share is equal to basic loss 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 loss per share for the three and six months ended 30 June 2017 has been adjusted for the share consolidation on 6 February 2017 (Note 15). Hence, the comparative figures for the basic loss per share for the three and six months ended 30 June 2017 are adjusted 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2017, the Group acquired office equipment of approximately HK\$28,000 and disposed office equipment and furniture & fixture of net carrying amount of approximately HK\$61,000.

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Trade receivables, net of provision	1,171	1,540
Prepayments, deposits and other receivables	4,144	1,214
	5,315	2,754

The credit period granted to trade customers ranging from 0 to 30 days. At 30 June 2017 and 31 December 2016, the ageing analysis of the trade receivables based on due date were as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Current and less than 1 month	1,129	1,231
1 to 3 months	42	309
	1,171	1,540

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

14. RESTRICTED BANK DEPOSITS

As at 30 June 2017, HK\$15,583,000 (31 December 2016: Nil) are restricted bank deposits held at bank for security of the bank facility granted by a bank to the Group.

15. TRADE AND OTHER PAYABLES

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Trade payables	49,924	624
Accruals and other payables	2,914	2,370
	<hr/>	<hr/>
	52,838	2,994
	<hr/> <hr/>	<hr/> <hr/>

At 30 June 2017 and 31 December 2016, the ageing analysis of the trade payables based on due date were as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
Current and less than 1 month	49,911	585
1 to 3 months	7	–
Over 3 months	6	39
	<hr/>	<hr/>
	49,924	624
	<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

16. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2017	31 December 2016	30 June 2017 HK\$ '000	31 December 2016 HK\$ '000
Ordinary shares				
Authorised:				
At the beginning of the period/year	20,000,000,000	20,000,000,000	80,000	80,000
Share consolidation <i>(Note)</i>	(19,600,000,000)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the period/year	400,000,000	20,000,000,000	80,000	80,000
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Issued and fully paid:				
At the beginning of the period/year	836,920,850	836,920,850	3,348	3,348
Share consolidation <i>(Note)</i>	(820,182,433)	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
At the end of the period/year	16,738,417	836,920,850	3,348	3,348
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Note:

With the approval of the shareholders at an 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.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

17. OPERATING LEASE COMMITMENTS

The Group leases office under non-cancellable operating lease agreement with lease terms between 1 and 2 years. The future aggregate minimum lease payments under the operating lease agreement are as follows:

	As at 30 June 2017 HK\$'000 (Unaudited)	As at 31 December 2016 HK\$'000 (Audited)
No later than 1 year	817	1,056
Later than 1 year but no later than 5 years	80	473
	897	1,529

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as of 30 June 2017 (31 December 2016: Nil).

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION *(continued)*

19. RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control, common significant influence or joint control. Members of key management and their close family member of the Group are also considered as related parties.

During the six months ended 30 June 2017 and 2016, no related party transaction was entered by the Group.

Compensation of key management personnel

Key management represents the directors of the Company. The compensation paid or payable to key management for employee services is shown below:

	Six months ended 30 June	
	2017 HK\$'000 (Unaudited)	2016 HK\$'000 (Unaudited)
Salaries and other short-term benefits	1,023	849
Contributions to retirement benefits schemes	8	13
	1,031	862

The remuneration of Directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2017 (2016: Nil).

FINANCIAL REVIEW

For the six months ended 30 June 2017, the Group recorded a turnover of approximately HK\$14,628,000, representing an increase of approximately 26% as compared with a turnover of approximately HK\$11,607,000 of the same period in 2016. The loss attributable to owners of the Company was approximately HK\$5,991,000 for the six months ended 30 June 2017 (30 June 2016: HK\$6,614,000), representing a decrease of approximately 9% when compared with the same period in last year. The Board considers that the improvement is mainly attributable to (i) the strengthened control over operations which streamlined operating procedures and increased the cost efficiency to achieve better performance for the continuous development of the Group; and (ii) augmented product offerings after the Group has started to sell and distribute third parties IT products in April 2017.

BUSINESS REVIEW

The Group mainly engages in two business segments, namely i) sales and distribution of IT products; and ii) repairs and service support. During the six months ended 30 June 2017, the Group achieved growth in the sales and distribution segment with a 26% increase in turnover. The business volume growth is attributable to the expansion of Asian and European markets due to broadening of product offerings and successful operational efficiencies implemented in 2017 that continued to improve the Group's performance.

BUSINESS OUTLOOK

The Group has broadened its customer base and augmented its products offering in the second quarter of 2017. Furthermore, the Group continues to expand its repairs and service support network in order to pursue new, strategic customers to grow the Group's turnover and enhance shareholders' returns.

SEGMENT INFORMATION

Asia

Turnover from Asia (inclusive of Hong Kong, Singapore, Middle East and other Asian countries) as a whole for the six months ended 30 June 2017 amounted to approximately HK\$10,170,000 (2016: HK\$8,077,000) or 70% (2016: 70%) of the Group's turnover.

Europe

Turnover from Europe for the six months ended 30 June 2017 amounted to approximately HK\$3,819,000 (2016: HK\$2,227,000) or 26% (2016: 19%) of the Group's turnover.

Africa

Turnover from Africa for the six months ended 30 June 2017 amounted to approximately HK\$628,000 (2016: HK\$1,175,000) or 4% (2016: 10%) of the Group's turnover.

Others

Other geographic segments mainly included the Americas and Australia. Turnover from other geographic areas for the six months ended 30 June 2017 amounted to approximately HK\$11,000 (2016: HK\$128,000).

EMPLOYEE INFORMATION

As at 30 June 2017, the Group employed 22 (2016: 22) full time employees in Hong Kong and 6 (2016: 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\$4,682,000 (2016: HK\$4,411,000).

Employees are remunerated in accordance with individual's responsibility 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 are granted at the Directors' discretion and under the terms and conditions of share option scheme.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

The Group mainly used its internal resources to finance its operations during the six months ended 30 June 2017.

The Group had bank balances, deposits and cash of approximately HK\$22,598,000 as at 30 June 2017 (31 December 2016: HK\$49,460,000).

As at 30 June 2017, the Group did not have any outstanding borrowings. Hence, no gearing ratio of the Group has been presented (31 December 2016: Nil).

CAPITAL STRUCTURE

The Group did not have any borrowings during the six months ended 30 June 2017 (31 December 2016: Nil).

SIGNIFICANT INVESTMENT

The Group did not enter into any new significant investment during the six months ended 30 June 2017 (31 December 2016: 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 2017 (31 December 2016: Nil).

CHARGE ON ASSETS

As at 30 June 2017, a bank deposit of HK\$15,583,000 (or equivalent to US\$2,000,000) was pledged to the bank for the bank facility amounting to US\$4,000,000 granted to the Group.

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Up to the date of this report, 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 2017, 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 2016: Nil).

CONTINGENT LIABILITIES

As at 30 June 2017, the Group did not have any contingent liabilities (31 December 2016: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As of 30 June 2017, none of the Directors and chief executive of the Company was interested 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 2017 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 2017.

SUBSTANTIAL SHAREHOLDERS

As of 30 June 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 30 June 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.

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 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 six months ended 30 June 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 has confirmed that during his/her tenure as Director in the six months ended 30 June 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 six months ended 30 June 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 has three members comprising three independent non-executive Directors, namely, Ms. Wu Yi Shuan (chairman), 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.

Review of Interim financial Information

Such unaudited interim financial information has been reviewed by the Company's auditor, PricewaterhouseCoopers, 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 condensed consolidated financial statement of the Group, this report and the interim result announcement, and has provided advice and comments thereon.

REMUNERATION COMMITTEE

The members of the Remuneration Committee comprises of five Directors, namely Mr. Yeung Wai Hung Peter (chairman), Ms. Wu Yi Shuan, Mr. Miao Benny Hua-ben (each an independent non-executive Director), Dr. Woo Kwok Fai Louis and Mr. Cheng Michael Ichiang (each an executive Director).

The Remuneration Committee was responsible for formulating and making recommendations to the Board on the Company's policy and structure for the remuneration of the Directors and senior management, assessing performance of the executive Directors, approving the terms of letter of appointment of executive Directors, and on the establishment of a formal and transparent procedure for developing policy on such remuneration.

NOMINATION COMMITTEE

The members of the Nomination Committee are Mr. Miao Benny Hua-ben (chairman), Mr. Yeung Wai Hung Peter, Ms. Wu Yi Shuan (each an independent non-executive Director) and Mr. Cheng Michael Ichiang (an executive Director).

The Nomination Committee was responsible for selecting and nominating individuals for directorship as well as making recommendations to the Board on nomination policy.

OTHER EVENTS

Retirement of Director

Mr. Chen Haining was not re-elected at the Annual General Meeting (“**AGM**”) held on 10 May 2017 and thus retired as an executive Director upon conclusion of the AGM.

Change of Company Secretary

Ms. Lau Yee Wa was appointed as the company secretary of the Company with effect from 12 April 2017. She resigned on 23 June 2017.

Mr. Tam Hoi Kwong and Ms. Wong Sau Ping were appointed as joint company secretaries of the Company with effect from 23 June 2017 in place of Ms. Lau Yee Wa.

Change of principal place of business

The principal place of business of the Company in Hong Kong has been changed to 36/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong with effect from 23 June 2017.

By order of the Board

CircuTech International Holdings Limited

Dr. Woo Kwok Fai Louis

Chairman and Chief Executive Officer

Hong Kong, 11 August 2017

As at the date hereof, the executive Directors of the Company are Dr. Woo Kwok Fai Louis, Mr. Hui Lap Shun, Mr. Chien Yi-Pin, Ms. Chen Ching-Hsuan and Mr. Cheng Michael Ichiang; and the independent non-executive Directors are Mr. Yeung Wai Hung Peter, Ms. Wu Yi Shuan and Mr. Miao Benny Hua-ben.