



**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)

First Quarterly Report 2018

CHARACTERISTICS OF 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 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\$90.2 million for the three months ended 31 March 2018 (three months ended 31 March 2017: approximately HK\$3.9 million), representing an increase of approximately HK\$86.3 million when compared with the same period last year.
- The Group recorded a profit attributable to the owners of the Company of approximately HK\$0.4 million for the three months ended 31 March 2018 (three months ended 31 March 2017: Loss of approximately HK\$2.7 million), representing a swing of approximately HK\$3.1 million when compared with the same period last year. The board (the “**Board**”) of Directors considers that the aforesaid swing to profit of the Group for the three months ended 31 March 2018 as compared to the corresponding period ended 31 March 2017 was mainly attributable to the profit from the distribution of third party IT products.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

QUARTERLY RESULTS

The Board hereby announces the unaudited condensed consolidated quarterly results of the Group for the three months ended 31 March 2018, together with the comparative unaudited figures for the corresponding period in 2017, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | | Three months ended 31 March | |
|--|-------------|--|--|
| | <i>Note</i> | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Revenue | 3 | 90,247 | 3,915 |
| Cost of sales | | (83,163) | (2,382) |
| Gross profit | | 7,084 | 1,533 |
| Other income | | 49 | 130 |
| Selling and distribution costs | | (1,203) | (684) |
| Administrative expenses | | (4,642) | (3,218) |
| Research and development expenditure | | (374) | (494) |
| Profit/(loss) before income tax | 5 | 914 | (2,733) |
| Income tax | 6 | (500) | – |
| Profit/(loss) for the period | | 414 | (2,733) |
| Other comprehensive income/(loss) for the period: | | | |
| <i>Items that may be reclassified to profit or loss:</i> | | | |
| Exchange differences arising on translating foreign operations | | 70 | (11) |
| Other comprehensive income/(loss) for the period | | 70 | (11) |
| Total comprehensive income/(loss) for the period | | 484 | (2,744) |

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

| | | Three months ended 31 March | |
|---|-------------|--|--|
| | <i>Note</i> | 2018 HK\$'000 (Unaudited) | 2017 HK\$'000 (Unaudited) |
| Profit/(loss) for the period attributable to: | | | |
| – Owners of the Company | | 414 | (2,732) |
| – Non-controlling interests | | – | (1) |
| | | <hr/> 414 | <hr/> (2,733) |
| | | <hr/> <hr/> 414 | <hr/> <hr/> (2,733) |
| Total comprehensive income/(loss) for the period attributable to: | | | |
| – Owners of the Company | | 510 | (2,741) |
| – Non-controlling interests | | (26) | (3) |
| | | <hr/> 484 | <hr/> (2,744) |
| | | <hr/> <hr/> 484 | <hr/> <hr/> (2,744) |
| | | | (Restated) |
| Earnings/(loss) per share attributable to owners of the Company <i>(HK cents per share)</i> | | | |
| – Basic and diluted | 7 | 1.77 | (14.61) |
| | | <hr/> <hr/> 1.77 | <hr/> <hr/> (14.61) |

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | 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 | | |
| Balance at 1 January 2018 (audited) | 4,687 | 183,006 | 250 | 14,990 | (54,288) | 148,645 | (504) | 148,141 |
| Profit for the period | - | - | - | - | 414 | 414 | - | 414 |
| Other comprehensive income/ (loss) for the period ended 31 March 2018 | | | | | | | | |
| Exchange differences arising on translating foreign operations | - | - | 96 | - | - | 96 | (26) | 70 |
| Total comprehensive income/ (loss) for the period | - | - | 96 | - | 414 | 510 | (26) | 484 |
| Balance at 31 March 2018 (unaudited) | 4,687 | 183,006 | 346 | 14,990 | (53,874) | 149,155 | (530) | 148,625 |
| Balance 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 loss for the period ended 31 March 2017 | | | | | | | | |
| Exchange differences arising on translating foreign operations | - | - | (9) | - | - | (9) | (2) | (11) |
| Total comprehensive loss for the period | - | - | (9) | - | (2,732) | (2,741) | (3) | (2,744) |
| Balance at 31 March 2017 (unaudited) | 3,348 | 85,917 | 144 | 14,990 | (43,810) | 60,589 | (465) | 60,124 |

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

CircuTech International Holdings Limited (the “**Company**”) and its subsidiaries (together, 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 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 GEM of The Stock Exchange of Hong Kong Limited.

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the three months ended 31 March 2018 has been prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRS**”) issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the applicable requirements of the GEM Listing Rules. This unaudited condensed consolidated financial information does not include all information and disclosures as required in the annual financial statements.

2. BASIS OF PREPARATION *(continued)*

The principal accounting policies applied in the preparation of this unaudited condensed consolidated financial information are consistent with those of the financial statements for the year ended 31 December 2017, except for the adoption of new and amended standards and interpretation effective for the financial year ending 31 December 2018. The following new and amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2018.

| | |
|-----------------------------------|---|
| Amendments to HKFRS 1 and HKAS 28 | Annual improvements 2014-2016 cycle |
| Amendments to HKFRS 2 | Classification and measurement of share-based payment transactions |
| Amendments to HKFRS 4 | Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts |
| HKFRS 9 | Financial instruments |
| HKFRS 15 | Revenue from contracts with customers |
| Amendments to HKFRS 15 | Clarifications to HKFRS 15 |
| Amendments to HKAS 40 | Transfers of investment property |
| HK(IFRIS) – Int 22 | Foreign currency transactions and advance consideration |

The adoption of the above new and amended standards and interpretation did not have a material impact on the Group's unaudited condensed consolidated financial information, except as described below.

HKFRS 9, “Financial Instruments”

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management elected to classify its available-for-sale (“**AFS**”) financial asset as fair value through other comprehensive income (“**FVOCI**”). There is no significant impact on the classification and measurement of the AFS financial assets elected to be FVOCI. However, gains or losses realised on the sale of financial assets at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified between the line from the FVOCI reserve to retained earnings.

2. BASIS OF PREPARATION *(continued)*

HKFRS 9, “Financial Instruments” *(continued)*

The new impairment model under HKFRS 9 requires the recognition of impairment provisions based on expected credit losses (“**ECL**”) rather than only incurred credit losses as is the case under Hong Kong Accounting Standards (“**HKAS**”) 39. The Group’s trade receivables are financial assets that are subject to HKFRS 9’s new expected credit loss model. While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. Since the Group’s historical credit loss experience for its trade receivable was minimal, the restatement of the loss allowance for trade receivables on transition to HKFRS 9 as a result of applying the expected credit risk model was immaterial.

HKFRS 15, “Revenue from Contracts with Customers”

On 1 January 2018 (the date of initial application of HKFRS 15), the Group reclassified the contract liabilities which was previously included in other line items in the consolidated statement of financial position. Other than the reclassification of contract liabilities, there is no significant impact on the Group’s financial information.

The Group has not applied early the new and amended standards and interpretation 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 amended standards and interpretation will have no material impact on the results and the financial position of the Group.

The condensed consolidated financial information have not been audited by the Company’s auditors but have been reviewed by the audit committee of the Company.

3. REVENUE

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

| | Three months ended 31 March | |
|---------------------------------------|--|-------------|
| | 2018 | 2017 |
| | HK\$'000 | HK\$'000 |
| | (unaudited) | (unaudited) |
| Sales and distribution of IT products | 90,156 | 3,911 |
| Repairs and service support | 91 | 4 |
| | <hr/> | <hr/> |
| | 90,247 | 3,915 |
| | <hr/> <hr/> | <hr/> <hr/> |

4. SEGMENT INFORMATION

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

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

The Executive Directors examine the Group's performance from a product perspective, and have identified two reportable segments of the Group's business:

- (i) Sales and distribution of IT products: this part of business designs, manufactures and markets video surveillance systems and distributes third party IT products; and
- (ii) Repairs and service support: repairs, maintenance and other service support for electronic products are provided under this part of business.

4. SEGMENT INFORMATION *(continued)*

No sales between segments are carried out during the three months ended 31 March 2018 and 2017. The revenue from external parties is measured in the same way as in the condensed consolidated statement of comprehensive income.

Interest income from bank deposits and corporate expenses are not allocated to segments, as this type of activity is driven by the central treasury function, which manages the cash position of the Group.

Segment revenue and results

The segment information provided to the Executive Directors for the reportable segments for the three months ended 31 March 2018 and 2017 is as follows:

Three months ended 31 March 2018

| | Sales and distribution of IT products <i>HK\$'000</i> (unaudited) | Repairs and service support <i>HK\$'000</i> (unaudited) | Total <i>HK\$'000</i> (unaudited) |
|--|---|---|---|
| Revenue | | | |
| External sales and segment revenue | 90,156 | 91 | 90,247 |
| Segment profit | 4,198 | 39 | 4,237 |
| Interest income from bank deposits | | | 2 |
| Unallocated corporate expenses <i>(Note)</i> | | | (3,325) |
| Profit before income tax | | | 914 |

4. SEGMENT INFORMATION (continued)

Segment revenue and results (continued)

Three months ended 31 March 2017

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

Note:

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

5. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is stated after charging and crediting the following:

| | Three months ended 31 March | |
|--|--|--|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Provision/(reversal of provision) on trade receivables | 7 | (4) |
| Provision for inventories (included in cost of sales) | 339 | 166 |
| Amortisation of capitalised development costs (included in research and development expenditure) | – | 148 |
| Depreciation of property, plant and equipment | 594 | 31 |
| Loss on disposal of property, plant and equipment | – | 10 |
| Interest income | (2) | (1) |
| Net foreign exchange losses/(gains) | 77 | (8) |
| | ————— | ————— |

6. INCOME TAX

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2017: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

| | Three months ended 31 March | |
|---|--|--|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Current income tax – Overseas taxation | 500 | – |
| | ————— | ————— |

7. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

| | Three months ended 31 March | |
|---|--|---------------------------------|
| | 2018 HK\$'000 (unaudited) | 2017 HK\$'000 (unaudited) |
| Profit/(loss) for the period attributable to owners of the Company | 414 | (2,732) |
| | | (restated) |
| Weighted average number of ordinary shares <i>(in thousand)</i> (Note) | 23,434 | 18,700 |
| | | (restated) |
| Basis earnings/(loss) per share attributable to owners of the Company <i>(HK cents per share)</i> | 1.77 | (14.61) |

7. EARNINGS/(LOSS) PER SHARE *(continued)*

(a) **Basic** *(continued)*

Note:

On 4 September 2017, the Company proposed an issuance of rights shares, and it has been completed on 20 October 2017. Therefore, the weighted average number of ordinary shares for the purpose of calculating the basic loss per share has been adjusted for the bonus elements arose from the rights issue, as if it had taken place before the beginning of the comparative period.

(b) **Diluted**

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

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: Nil).

FINANCIAL REVIEW

For the three months ended 31 March 2018, the Group recorded a turnover of approximately HK\$90.2 million representing over twentyfold increase as compared to the three months ended 31 March 2017. The Group recorded a significant decrease in gross profit margin from 39.2% to 7.8% which was mainly due to the inclusion of third party IT products. Administrative expenses increased from approximately HK\$3.2 million to approximately HK\$4.6 million. It was mainly due to an increase in professional fee in pursuing strategic investments in order to expand the Group's exposure in "green technology" and further develop the Group's businesses in the arena of "circular economy". Due to the significant growth in revenue, the Group recorded a net profit of approximately HK\$0.4 million for the three months ended 31 March 2018, as compared to a net loss of approximately HK\$2.7 million for the same period last year.

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 three months ended 31 March 2018, the Group turned into profit-making as the Group achieved over twentyfold increase in turnover in the sales and distribution segment. The business volume growth was attributable to the rapid expansion of North American markets fuelled by our expanded range of third party branded product offerings.

BUSINESS OUTLOOK

With the international IT products distribution and fulfilment support infrastructure that the Group has built up over the years, the Directors believe that there are still plenty of room for growth. The Group intends to further strengthen the distribution business and expand the fulfilment support of IT products over the coming quarters, in the meantime, continues to endeavour in striving a reasonable profit margin for the distribution business. The Group will also review and put effort to enhance overall operational efficiency, adjust the Group's business portfolio and strategies to match our strengths with market demand, and capture the right growth opportunities to enhance shareholders' return.

LIQUIDITY AND FINANCIAL RESOURCES

During the period under review, the Group financed its daily operations with internally generated resources and net proceeds from the rights issue completed on 20 October 2017. The Group had net current assets of approximately HK\$137 million (31 March 2017: HK\$47 million) and cash and cash equivalents amounted to approximately HK\$35 million as at 31 March 2018 (31 March 2017: HK\$46 million). The Group had no borrowings outstanding as at 31 March 2018.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN SHARES

As of 31 March 2018, none of the Directors and chief executive of the Company was interested in, or had short positions 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 to be disclosed under Divisions 7 and 8 of Part XV 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 2018 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 31 March 2018.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES

Long position in shares as at 31 March 2018

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

Note:

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

Save as disclosed above, as at 31 March 2018, the Company had not been notified by any other persons (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, which were required to be disclosed 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 2018, none of the Directors, controlling shareholders or their respective close associates (as defined in the GEM Listing Rules) had any interests in a business that competes or may compete either directly or indirectly with the business of the Group.

PURCHASES, SALE OR REDEMPTION OF SECURITIES

The Company had not redeemed any of its shares during the three months ended 31 March 2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the three months ended 31 March 2018.

AUDIT COMMITTEE

The Audit Committee of the Company consists of three members, being the three independent non-executive Directors, namely Mr. Li Robin Kit Ling (chairperson), Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben.

The primary duties of the Audit Committee are to review and oversee the financial reporting system, risk management and internal control systems 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, reviewing significant financial reporting judgments contained therein 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, 11 May 2018

As at the date of this report, the executive Directors are Dr. Woo Kwok Fai Louis, Mr. Chin Yin-Shen, Ms. Chen Ching-Hsuan and Mr. Cheng Michael Ichiang; the non-executive Director is Mr. Hong Sung-Tai; and the independent non-executive Directors are Mr. Yeung Wai Hung Peter, Mr. Li Robin Kit Ling and Mr. Miao Benny Hua-ben.