CircuTech International Holdings Limited
訊智海國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 8051)

Interim Report 2018

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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$190,100,000 for the six months ended 30 June 2018, representing over tenfold increase as compared to a turnover of approximately HK$14,628,000 for the six months ended 30 June 2017.

- The gross profit amounted to approximately HK$8,163,000 for the six months ended 30 June 2018, increased by approximately 117% as compared to that of the same period in 2017.

- The Group recorded a net loss of approximately HK$4,952,000 for the six months ended 30 June 2018, as compared to a net loss of approximately HK$5,993,000 for the six months ended 30 June 2017.

- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

羅兵咸永道

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

TO THE BOARD OF DIRECTORS OF CIRCUTECH INTERNATIONAL HOLDINGS LIMITED

(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the interim financial information set out on pages 5 to 41, 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 2018 and the interim condensed consolidated statements of comprehensive income, the interim condensed consolidated statements of changes in equity and the interim condensed consolidated statements of 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 GEM 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" issued by the Hong Kong Institute of Certified Public Accountants. 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 the 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 of the Group is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 10 August 2018

INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 30 June		Six months ended 30 June	
	Note	**2018** **HK$'000** **(unaudited)**	2017 *HK$'000* (unaudited)	**2018** **HK$'000** **(unaudited)**	2017 *HK$'000* (unaudited)
Revenue	*6*	**99,853**	10,713	**190,100**	14,628
Cost of sales		**(98,774)**	(8,487)	**(181,937)**	(10,869)
Gross profit		**1,079**	2,226	**8,163**	3,759
Other income		**41**	133	**90**	263
Selling and distribution costs		**(1,420)**	(701)	**(2,623)**	(1,385)
Administrative expenses		**(5,884)**	(4,402)	**(10,526)**	(7,620)
Research and development expenditure		**(408)**	(516)	**(782)**	(1,010)
Loss before income tax	*8*	**(6,592)**	(3,260)	**(5,678)**	(5,993)
Income tax credit	*9*	**1,226**	–	**726**	–
Loss for the period		**(5,366)**	(3,260)	**(4,952)**	(5,993)
Other comprehensive (loss)/income for the period:					
Items that may be reclassified to profit or loss					
Currency translation differences		**(2,206)**	29	**(2,136)**	18
Other comprehensive (loss)/income for the period		**(2,206)**	29	**(2,136)**	18
Total comprehensive loss for the period		**(7,572)**	(3,231)	**(7,088)**	(5,975)

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

		Three months ended 30 June		Six months ended 30 June	
	Note	**2018**	2017	**2018**	2017
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Loss for the period attributable to:					
– Owners of the Company		**(5,361)**	(3,259)	**(4,947)**	(5,991)
– Non-controlling interests		**(5)**	(1)	**(5)**	(2)
		(5,366)	(3,260)	**(4,952)**	(5,993)
Total comprehensive (loss)/ income for the period attributable to:					
– Owners of the Company		**(7,593)**	(3,210)	**(7,083)**	(5,951)
– Non-controlling interests		**21**	(21)	**(5)**	(24)
		(7,572)	(3,231)	**(7,088)**	(5,975)
			(restated)		(restated)
Loss per share attributable to owners of the Company *(HK cents per share)*					
– Basic and diluted	*11*	**(22.88)**	(17.43)	**(21.11)**	(32.04)

The notes on pages 11 to 41 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 30 June 2018 HK$'000 (unaudited)	As at 31 December 2017 HK$'000 (audited)
Assets			
Non-current assets			
Property, plant and equipment	12	**9,255**	10,411
Capitalised development costs		**–**	–
Deposits	13	**302**	–
Financial asset at fair value through other comprehensive income		**1,462**	–
Deferred tax assets		**1,688**	–
Available-for-sale financial asset		**–**	1,462
		12,707	11,873
Current assets			
Inventories		**64,730**	102,668
Trade and other receivables	13	**3,740**	1,973
Restricted bank deposits	14	**31,220**	15,607
Cash and cash equivalents		**36,470**	86,067
		136,160	206,315
Total assets		**148,867**	218,188

INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(continued)*

	Note	As at 30 June 2018 HK$'000 (unaudited)	As at 31 December 2017 HK$'000 (audited)
Equity			
Share capital	*16*	**4,687**	4,687
Reserves		**136,875**	143,958
Capital and reserves attributable to owners of the Company		**141,562**	148,645
Non-controlling interests		**(509)**	(504)
Total equity		**141,053**	148,141
Liabilities			
Current liabilities			
Trade and other payables	*15*	**6,051**	69,725
Contract liabilities		**477**	–
Tax payables		**1,286**	322
Total liabilities		**7,814**	70,047
Total liabilities and equity		**148,867**	218,188

The notes on pages 11 to 41 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							
	Share capital *HK$'000*	Share premium *HK$'000*	Translation reserve *HK$'000*	Special reserve *HK$'000*	Accumulated losses *HK$'000*	Total *HK$'000*	Non-controlling interests *HK$'000*	Total *HK$'000*
Balance at 1 January 2018	4,687	183,006	250	14,990	(54,288)	148,645	(504)	148,141
Loss for the period	–	–	–	–	(4,947)	(4,947)	(5)	(4,952)
Other comprehensive loss for the period ended 30 June 2018 Currency translation differences	–	–	(2,136)	–	–	(2,136)	–	(2,136)
Total comprehensive loss for the period	–	–	(2,136)	–	(4,947)	(7,083)	(5)	(7,088)
Balance at 30 June 2018	4,687	183,006	(1,886)	14,990	(59,235)	141,562	(509)	141,053
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 ended 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	3,348	85,917	193	14,990	(47,069)	57,379	(486)	(56,893)

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 11 to 41 form an integral part of this interim consolidated financial information.

INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Net cash used in operating activities	**(34,157)**	(9,743)
Net cash used in investing activities:		
Increase in available-for-sale financial asset	**–**	(1,462)
Additions of property, plant and equipment	**(33)**	(28)
Increase in restricted bank deposits	**(15,613)**	(15,583)
	(15,646)	(17,073)
Net decrease in cash and cash equivalents	**(49,803)**	(26,816)
Cash and cash equivalents at beginning of the period	**86,067**	49,460
Exchange gains/(losses) on cash and cash equivalents	**206**	(46)
Cash and cash equivalents at end of the period	**36,470**	22,598

The notes on pages 11 to 41 form an integral part of this interim consolidated financial information.

NOTES TO THE CONDENSED CONSOLIDATED INTERIM 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 services 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 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 2018 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 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**").

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 2017, as described in those annual financial statements, except for the adoption of amendments to standards effective for the financial year ending 31 December 2018 and policies described below.

3.1 Amended standards adopted by the Group

The following amended standards are mandatory for the first time for the financial year beginning 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	Insurance contracts
Amendments to HKFRS 15	Clarifications to HKFRS 15
Amendments to HKAS 40	Transfers of investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance considerations

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

3. ACCOUNTING POLICIES *(continued)*

3.2 New standards adopted by the Group

The following new standards are mandatory for the first time for the financial year beginning 1 January 2018.

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers

The Group had to change its accounting policies as a result of adopting the above new standards. The impact of the adoption of these standards and new accounting policies are set out in Notes 3.2.1 to 3.2.4 below.

3.2.1 HKFRS 9 Financial Instruments – impact of adoption

Condensed Consolidated Statement of financial position (extracted)	As at 31 December 2017 (as previously reported)	Effect under HKFRS9	As at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Non-current assets			
Financial asset at fair value through other comprehensive income ("**FVOCI**")	–	1,462	1,462
Available-for-sale financial asset	1,462	(1,462)	–

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

3. ACCOUNTING POLICIES *(continued)*

3.2 New standards adopted by the Group *(continued)*

3.2.1 HKFRS 9 Financial Instruments – impact of adoption *(continued)*

The adoption of HKFRS 9 from 1 January 2018 does not have material impact to the Group, except for the classification and the methodology of impairment of financial assets. The new accounting policies in relation to classification and measurement of impairment of financial assets are set out in below.

(i) Classification and measurement

On 1 January 2018 (the date of initial application of HKFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate HKFRS 9 categories. The main effects resulting from this reclassification are as follows:

(a) Equity investments previously classified as available-for-sale

The Group elected to present in other comprehensive income ("**OCI**") changes in the fair value of all its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of HK$1,462,000 were reclassified from available-for-sale financial assets to financial assets at FVOCI.

3. ACCOUNTING POLICIES *(continued)*

3.2 New standards adopted by the Group *(continued)*

3.2.1 HKFRS 9 Financial Instruments – impact of adoption *(continued)*

(ii) Impairment of financial asset

The Group has two types of financial assets that are subject to HKFRS 9's new expected credit loss model:

- trade receivables from sales and distribution of IT products and the provision of repairs and other services support of IT products; and

- other financial assets at amortised cost.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The provision for doubtful debts for these financial assets is based on assumptions about risk of default and expected loss rates. The Group used judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period. While cash and cash equivalents are also subject to the impairment requirement of HKFRS 9, the identified impairment loss was immaterial.

Trade receivables
The Group applies the HKFRS 9 simplified approach to measuring expected credit losses ("**ECL**") which uses a lifetime expected loss allowance for all trade receivables.

Applying the ECL model, resulted in immaterial impact on the provision for doubtful debts for these financial assets.

3. ACCOUNTING POLICIES *(continued)*

3.2 New standards adopted by the Group *(continued)*

3.2.1 HKFRS 9 Financial Instruments – impact of adoption *(continued)*

(ii) Impairment of financial asset (continued)

Other financial assets at amortised cost

Other financial assets at amortised cost include deposits and other receivables. Applying the ECL model, resulted in immaterial impact on the provision for doubtful debts for these financial assets.

3.2.2 HKFRS 9 Financial Instruments – accounting policies

(i) Investments and other financial assets

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss); and

- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

3. ACCOUNTING POLICIES *(continued)*

3.2 New standards adopted by the Group *(continued)*

3.2.2 HKFRS 9 Financial Instruments – accounting policies (continued)

(i) Investments and other financial assets (continued)

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("**FVPL**"), transaction costs that are directly attributable to the acquisition of the financial asset.

(a) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "other income" when the Group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 January 2018, the Group assesses on a forward looking basis the ECL associated with its other financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

3. ACCOUNTING POLICIES *(continued)*

3.2 New standards adopted by the Group *(continued)*

3.2.3 HKFRS 15 Revenue from contracts with customers – impact of adoption

The Group has adopted HKFRS 15 from 1 January 2018 which resulted in changes in accounting policies. In accordance with the transition provisions in HKFRS 15, the Group has adopted the modified retrospective approach for transition to the new revenue standard. Under this transition approach, (i) comparative information for prior periods is not restated; (ii) the date of the initial application of HKFRS 15 is the first day of the annual reporting period in which the Group first applies the requirement of HKFRS 15, i.e. 1 January 2018; (iii) the Group recognises the cumulative effect of initial application of HKFRS 15 as an adjustment to the opening balance of retained profit (or other component of equity, as appropriate) in the year of adoption, i.e. as at 1 January 2018; and (iv) the Group elects to apply the new standard only to contracts that are not completed contracts at 1 January 2018. In summary, the following adjustments were made to the classification in the consolidated statement of financial position at the date of initial application (1 January 2018):

Condensed Consolidated Statement of financial position (extracted)	As at 31 December 2017 (as previously reported)	Effect under HKFRS15	As at 1 January 2018
	HK$'000	*HK$'000*	*HK$'000*
Current liabilities			
Trade and other payables	69,725	(6,883)	62,842
Contract liabilities	–	6,883	6,883

3. ACCOUNTING POLICIES *(continued)*

3.2 New standards adopted by the Group *(continued)*

3.2.3 HKFRS 15 Revenue from contracts with customers – impact of adoption *(continued)*

The following table illustrates the amount by each financial statements line items affected in current period by the application of HKFRS 15 as compared to HKAS 18 and HKAS 11 that were previously in effect before the adoption of HKFRS 15.

There is no impact to the condensed consolidated statement of comprehensive income. For condensed consolidated statement of financial position, there is only classification impact on current liabilities as follows:

Condensed Consolidated Statement of Financial Position (extracted)	Reported under current accounting policies *HK$'000*	At 30 June 2018 Effect under HKFRS 15 *HK$'000*	Balance without the adoption of HKFRS15 *HK$'000*
Liabilities			
Current liabilities			
Trade and other payables	6,051	477	6,528
Contract liabilities	477	(477)	–

3.2.4 HKFRS 15 Revenue from contracts with customers – accounting policies

(i) Revenue

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

3. ACCOUNTING POLICIES *(continued)*

3.2 New standards adopted by the Group *(continued)*

3.2.4 HKFRS 15 Revenue from contracts with customers – accounting policies (continued)

(i) Revenue (continued)

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(a) Sale of goods
Revenue is recognised when goods are shipped out at the Group's premises which is taken to be the point in time when the customer has accepted the goods and the related risks and rewards of ownership. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

(b) Rendering of services
The Group provides repairs, maintenance and service support for electronic products. Revenue from providing services is recognised in the accounting period in which the services are rendered.

(ii) Contract liabilities

The Group recognises contract liabilities when a customer pays consideration, or the Group has a right to an amount of consideration that is unconditional before the Group performs a service or delivery of an IT product to the customer.

3. ACCOUNTING POLICIES *(continued)*

3.3 New and amended standards and interpretation not yet adopted by the Group

A number of new and amended standards are effective for annual periods beginning after 1 January 2018 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
HKFRS 16	Leases	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	Annual Improvements 2015-2017 Cycle	1 January 2019
Amendments to HKAS 19	Employee Benefits: Plan Amendment, Curtailment or settlement	1 January 2019
Amendments to HKAS 28	Long-term Interests in an Associate or Joint Venture	1 January 2019

3. ACCOUNTING POLICIES *(continued)*

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

None of these is expected to have a significant effect on the Group's results and financial position, except those set out below:

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised in 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$1,730,000 *(Note 17)*. 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. The Group does not intend to adopt the standard before its effective date.

There are no other standards that are not yet effective and that would be expected to have a material impact on the entity to the current or future reporting periods and on foreseeable future transactions.

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 2017.

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 condensed consolidated interim 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 consolidated financial statements as at 31 December 2017.

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.

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 bank deposits, trade and other receivables and financial assets at FVOCI; and financial liabilities including trade and other payables and contract liabilities 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).

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.

	Level 1 *HK$'000*	Level 2 *HK$'000*	Level 3 *HK$'000*	Total *HK$'000*
At 30 June 2018				
Assets				
Financial asset at FVOCI				
– Equity security, unlisted	**–**	**–**	**1,462**	**1,462**
At 31 December 2017				
Assets				
Available-for-sale financial asset				
– Equity security, unlisted	–	–	1,462	1,462

There were no transfers between Levels 1, 2 and 3 during the period ended 30 June 2018 and the year ended 31 December 2017.

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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue from contracts with customers				
Sales and distribution of IT products	**99,762**	10,707	**189,918**	14,618
Repairs and service support	**91**	6	**182**	10
	99,853	10,713	**190,100**	14,628

Disaggregation of revenue from contracts with customers by the timing of revenue recognition is disclosed in Note 7.

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.

7. SEGMENT INFORMATION *(continued)*

During the six months ended 30 June 2018 and 2017, 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 2018 and 2017 is as follows:

Six months ended 30 June 2018 (unaudited)

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	189,918	182	190,100
Timing of revenue recognition			
– At a point in time	189,918	–	189,918
– Over time	–	182	182
	189,918	182	190,100
Segment profit	290	77	367
Interest income from bank deposits			26
Unallocated corporate expenses *(Note)*			(6,071)
Loss before income tax			(5,678)

7. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

Three months ended 30 June 2018 (unaudited)

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	99,762	91	99,853
Timing of revenue recognition			
– At a point in time	99,762	–	99,762
– Over time	–	91	91
	99,762	91	99,853
Segment (loss)/profit	(3,908)	38	(3,870)
Interest income from bank deposits			24
Unallocated corporate expenses *(Note)*			(2,746)
Loss before income tax			(6,592)

7. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

Six months ended 30 June 2017 (unaudited)

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
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 *(Note)*			(6,041)
Loss before income tax			(5,993)

7. SEGMENT INFORMATION *(continued)*

Segment revenue and results *(continued)*

Three months ended 30 June 2017 (unaudited)

	Sales and distribution of IT products HK$'000	Repairs and service support HK$'000	Total HK$'000
Revenue			
External sales and segment revenue	10,707	6	10,713
Segment profit	399	6	405
Interest income from bank deposits			–
Unallocated corporate expenses *(Note)*			(3,665)
Loss before income tax			(3,260)

Note:

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

7. SEGMENT INFORMATION *(continued)*

Geographical information

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

	Three months ended 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
North America	**76,229**	6	**163,152**	11
Europe	**19,204**	3,406	**19,397**	3,819
Asia	**3,931**	6,887	**6,727**	10,170
Africa	**489**	345	**763**	628
Others	**–**	69	**61**	–
	99,853	10,713	**190,100**	14,628

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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Provision/(reversal of provision) of inventories (included in cost of sales)	**4,556**	(113)	**4,895**	53
Amortisation of capitalised development costs (included in research and development expenditure)	**–**	148	**–**	296
Depreciation of property, plant and equipment	**594**	26	**1,188**	57
Loss on disposal of property, plant and equipment	**–**	51	**–**	61
Interest income	**(25)**	–	**(27)**	(1)
Net foreign exchange loss/(gain)	**1,333**	(109)	**1,410**	(117)
Provision/(reversal of provision) of trade receivables	**77**	(25)	**84**	(29)

9. INCOME TAX CREDIT

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 30 June		Six months ended 30 June	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current income tax charge				
– Oversea taxation	**(205)**	–	**(962)**	–
Deferred income tax	**1,431**	–	**1,688**	–
Income tax credit	**1,226**	–	**726**	–

10. DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

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	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(Unaudited)	(Unaudited)	**(Unaudited)**	(Unaudited)
Loss for the period attributable to owners of the Company	**(5,361)**	(3,259)	**(4,947)**	(5,991)
		(restated)		(restated)
Weighted average number of ordinary shares *(thousands)* *(Note)*	**23,434**	18,700	**23,434**	18,700
Basic loss per share *(HK cents per share)*	**(22.88)**	(17.43)	**(21.11)**	(32.04)

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.

11. LOSS PER SHARE *(continued)*

(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.

12. PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2018, the Group acquired office equipment of approximately HK$33,000 (2017: HK$28,000) and there is no disposal during the six months ended 30 June 2018 (2017: HK$61,000).

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 ***HK$'000*** **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
Non-current		
Deposits	**302**	–
Current		
Trade receivables, net of provision	**1,472**	988
Prepayments, deposit and other receivables	**2,268**	985
	4,042	1,973

13. TRADE AND OTHER RECEIVABLES *(continued)*

The credit period granted to trade customers ranging from 0 to 30 days. At 30 June 2018 and 31 December 2017, the aging analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2018 ***HK$'000*** **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
Current and less than 1 month	**723**	697
1 to 3 months	**749**	291
	1,472	988

14. RESTRICTED BANK DEPOSITS

As at 30 June 2018, HK$31,220,000 (31 December 2017: HK$15,607,000) 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 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
Trade payables	**2,591**	56,633
Receipt in advance	**–**	6,883
Accruals and other payables	**3,460**	6,209
	6,051	69,725

At 30 June 2018 and 31 December 2017, the aging analysis of the trade payables based on invoice date were as follows:

	As at 30 June 2018 *HK$'000* **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
Current and less than 1 month	**2,489**	56,617
1 to 3 months	**81**	14
Over 3 months	**21**	2
	2,591	56,633

16. SHARE CAPITAL

	Number of shares		Share capital	
	30 June 2018	31 December 2017	**30 June 2018**	31 December 2017
	'000	*'000*	***HK$'000***	*HK$'000*
Ordinary shares				
Fully paid	**23,434**	23,434	**4,687**	4,687

Ordinary shares have a par value of HK$0.20 per share (after the effect of share consolidation *(Note 16(a))*). They entitle the holder to participate in dividends, and to share in the proceeds in case of winding up of the Company in proportion to the number of and amounts paid on the shares held.

Movement in ordinary shares

	Number of shares	**Share capital**
	'000	*HK$'000*
Balance at 1 January 2017	836,921	3,348
Share consolidation *(note a)*	(820,183)	–
Rights issue *(note b)*	6,696	1,339
Balance at 31 December 2017 and 30 June 2018	**23,434**	**4,687**

16. SHARE CAPITAL *(continued)*

Movement in ordinary shares *(continued)*

(a) Share consolidation

On 6 February 2017, the Company consolidated every fifty issued and unissued shares of HK$0.004 each into one consolidated share of HK$0.20 each. After the event of share consolidation, the total number of issued shares was reduced to 16,738,417 (before issuance of rights shares on 20 October 2017).

(b) Rights issue

On 4 September 2017, the Company invited its shareholders to subscribe to a rights issue of 6,695,366 ordinary shares at an issue price of HK$15.00 per rights share on the basis of 2 rights shares for every 5 fully paid ordinary shares held, with such rights shares to be issued on, and rank for dividends after, 20 October 2017. The issue was fully subscribed. The net proceeds from rights issue amounted to HK$98,428,000, after deducting the directly attributable expenses. HK$1,339,000 of the net proceeds was recognized as share capital, and the remaining HK$97,089,000 was recognised as share premium.

17. OPERATING LEASE COMMITMENTS

The Group leases offices under non-cancellable operating lease agreements 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 2018 ***HK$'000*** **(unaudited)**	As at 31 December 2017 *HK$'000* (audited)
No later than 1 year	**1,012**	638
Later than 1 year but no later than 5 years	**718**	–
	1,730	638

18. CONTINGENT LIABILITIES

The Group did not have any significant contingent liabilities as of 30 June 2018 (31 December 2017: Nil).

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 exercises 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 members of the Group are also considered as related parties.

19. RELATED PARTY TRANSACTIONS *(continued)*

The following transactions occurred with related parties:

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Operating lease charges paid to fellow subsidiaries in respect of warehouse and office	**315**	–

The transaction was carried out at terms mutually agreed between the respective parties.

Compensation of key management personnel

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Salaries and other short-term benefits	**1,140**	1,023
Contributions to retirement benefits schemes	**9**	8
	1,149	1,031

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

20. SUBSEQUENT EVENT

On 4 June 2018, CircuTech Holdings Alliances (Netherlands) B.V., an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with independent third party to acquire 21% of entire issued capital of 4Square Return GmbH at the consideration of EUR1,600,000. The acquisition was completed on 19 July 2018 and the shares were transferred from the sellers as contemplated by the transaction.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2018 (2017: Nil).

BUSINESS REVIEW

Revenue

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 2018, the Group recorded a turnover of approximately HK$190,100,000, representing over tenfold increase as compared to a turnover of approximately HK$14,628,000 for the six months ended 30 June 2017. 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.

Cost of sales

Major component of the cost of sales was the cost of inventories. In line with the increase in business volume, the cost of sales for the six months ended 30 June 2018 increased significantly to approximately HK$181,937,000 as compared to approximately HK$10,869,000 for the same period in 2017. Provision of inventories, included in the cost of sales, increased significantly to approximately HK$4,895,000 as compared to approximately HK$53,000 for the same period in 2017 to account for the increase in slow-moving inventories.

Gross profit and gross profit margin

The gross profit increased from approximately HK$3,759,000 for the six months ended 30 June 2017 to approximately HK$8,163,000 for the six months ended 30 June 2018. Despite an increase in revenue from the sales and distribution of IT products, a lower gross profit margin was recorded as compared to the same period in 2017. It was mainly due to the inclusion of distribution of third-party IT products which generated a lower profit margin when compared to the video surveillance products carrying our own brand name.

Administrative expenses

The administrative expenses increased by approximately HK$2,906,000, from approximately HK$7,620,000 for the six months ended 30 June 2017 to approximately HK$10,526,000 for the six months ended 30 June 2018. The significant increase was mainly due to the recognition of foreign currency exchange losses arising from the depreciation of Euro and the increase in professional fee in pursuing strategic investments in order to expand the Group's capability in "green technology".

Net loss for the period

The Group recorded a net loss of approximately HK$4,952,000 and HK$5,993,000 for the six months ended 30 June 2018 and 2017, respectively. The net loss for the six months ended 30 June 2018 was substantially due to the provision for slow-moving inventories, the depreciation of Euro against Hong Kong Dollars and the recognition of the one-off professional fees in pursuing strategic investment.

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 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 endeavor 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.

SEGMENT INFORMATION

Segment information by business line

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
Sales and distribution of IT products	**189,918**	14,618
Repairs and service support	**182**	10
	190,100	14,628

For the six months ended 30 June 2018, the revenue from sales and distribution of IT products continued to be the largest source of income of the Group which accounted for approximately 99.9% of the revenue of the Group. Revenue from sales and distribution of IT products consists of video surveillance products carrying our own brand name and third-party IT products. Such increase in revenue is mainly driven by the volume of goods, type of products and geographical location of the products.

Majority of the repairs and service support revenue was generated from the supporting services for video surveillance products carrying our own brand name. The Group intends to expand its service support business by sourcing spare parts of electronic products for its target customers, which included renowned IT brands and their service centers.

Segment information by geographical location

	Six months ended 30 June	
	2018	2017
	HK$'000	*HK$'000*
	(Unaudited)	(Unaudited)
North America	**163,152**	11
Europe	**19,397**	3,819
Asia	**6,727**	10,170
Africa	**763**	628
Other	**61**	–
	190,100	14,628

For the six months ended 30 June 2018, the North America market overtook Asia and contributed approximately 85.8% of the Group's revenue. Europe continued to be the second large market of the Group which contributed approximately 10.2% (2017: 26.1%) of the Group's revenue. Asia contributed approximately 3.5% (2017: 69.5%) of the Group's revenue. The change in the composition of the revenue was due to the change of product mix by augmented product offerings of the Group.

EMPLOYEE INFORMATION

As at 30 June 2018, the Group employed 23 (30 June 2017: 22) full time employees in Hong Kong and 7 (30 June 2017: 6) 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$5,970,000 (30 June 2017: HK$4,682,000).

Employees are remunerated in accordance with individual's responsibilities and performance, which remain competitive with the prevailing market rates. Other fringe benefits such as medical insurance, retirement benefits schemes and discretionary bonus are offered to all employees. Share options are granted at the Directors' discretion and under the terms and conditions of the share option scheme.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the six months ended 30 June 2018, the Group financed its daily operations with internally generated resources and net proceeds from the rights issue completed on 20 October 2017 (the "**Rights Issue**"). As at 30 June 2018, the Group had net current assets of approximately HK$128,346,000 (31 December 2017: HK$136,268,000) and cash and cash equivalents amounted to approximately HK$36,470,000 (31 December 2017: HK$86,067,000).

As at 30 June 2018, the Group did not have any outstanding borrowings. Hence, no gearing ratio of the Group has been presented (31 December 2017: Nil).

USE OF PROCEEDS FROM RIGHTS ISSUE

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

	Proposed use of proceeds from the Rights Issue	**Amount utilised up to 30 June 2018**	**Amount unutilised as at 30 June 2018**
	HK$'000	*HK$'000*	*HK$'000*
Expansion of the repairs and service support business	7,600	1,336	6,264
Development of IT products trading business	73,000	73,000	–
Strategic investment in the business segment of "circular economy"	17,800	1,775	16,025
	98,400	76,111	22,289

Up to 30 June 2018, an accumulated amount of approximately HK$1,336,000 has been applied to facilitating the expansion of the Group's existing repairs and service support business. Certain overseas entities and offices have been incorporated and set up. The Group is also strengthening its IT system in meeting the rapid development of the repairs and service support business.

Up to 30 June 2018, the proceeds of HK$73,000,000 for facilitating the development of the Group's existing IT products trading business were fully utilised.

Up to 30 June 2018, the proceeds of HK$1,775,000 were utilised in pursuing strategic investments in order to expand the Group's capability in "green technology".

CAPITAL STRUCTURE

As at 30 June 2018, the Company had an authorised share capital of HK$80,000,000 divided into 400,000,000 shares of a par value of HK$0.2 each, of which 23,433,783 shares were in issue. No convertible securities, options, warrants or similar rights by the Company or its subsidiaries were outstanding during the period.

The Group did not have any borrowings during the six months ended 30 June 2018 (31 December 2017: Nil).

SIGNIFICANT INVESTMENT

The Group did not enter into any new significant investment during the six months ended 30 June 2018 (31 December 2017: 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 2018 (31 December 2017: Nil).

CHARGE ON ASSETS

As at 30 June 2018, a bank deposit of HK$31,220,000 (or equivalent to US$4,000,000) was pledged to the bank for the bank facility amounting to US$8,000,000 granted to the Group (31 December 2017: HK$15,607,000 (or equivalent to US$2,000,000)).

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 2018, 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 2017: Nil). A significant volatility in foreign exchange rates may negatively affect the Group's results of operations and other comprehensive income.

CONTINGENT LIABILITIES

As at 30 June 2018, the Group did not have any contingent liabilities (31 December 2017: Nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As of 30 June 2018, 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 2018 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 2018.

SUBSTANTIAL SHAREHOLDERS

As of 30 June 2018, 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	11,853,524	50.58%
Hon Hai Precision Industry Co., Ltd.	Interest of a controlled corporation	11,853,524	50.58%

Note:

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

Save as disclosed above, as of 30 June 2018, the Company had not been notified by any other person (other than a Director or chief executive of the Company) who had interests or short positions in the shares and the underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

A share option scheme was adopted by the shareholders of the Company and was effective on 11 November 2016 (the "**2016 Option Scheme**"). Unless otherwise cancelled or amended, the 2016 Option Scheme will remain in force for a period of 10 years from the date of its adoption.

No share options were granted by the Company since the date of adoption of the 2016 Option Scheme.

COMPETITION AND CONFLICT OF INTERESTS

During the six months ended 30 June 2018, the Directors were not aware of any business or interest of the Directors, controlling shareholders of the Company and their respective 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 2018, 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 2018, 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 2018, 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.

REVIEW OF INTERIM FINANCIAL INFORMATION

The 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 unaudited condensed consolidated interim financial statement of the Group for the six months ended 30 June 2018, this report and the interim results announcement, and has provided advice and comments thereon.

SUBSEQUENT EVENT

On 4 June 2018, CircuTech Holdings Alliances (Netherlands) B.V., an indirect wholly-owned subsidiary of the Company entered into a sale and purchase agreement with independent third party to acquire 21% of entire issued capital of 4Square Return GmbH at the consideration of EUR1,600,000. The acquisition was completed on 19 July 2018 and the shares were transferred from the sellers as contemplated by the transaction.

OTHER EVENTS

Change of principal place of business

The principal place of business of the Company in Hong Kong has been changed to 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong with effect from 31 May 2018.

Resignation of Executive Director

With effect from 6 July 2018, Mr. Chin Yin-Shen resigned as an executive Director. For details, please refer to the announcement issued by the Company on 6 July 2018.

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

Hong Kong, 10 August 2018

As at the date hereof, the executive Directors are Dr. Woo Kwok Fai Louis, 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.