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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2017

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board and no assurance is given that there will be a liquid market in the securities traded on GEM.

The board (the "**Board**") of directors (the "**Directors**") of CircuTech International Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together, the "**Group**") for the year ended 31 December 2017, together with the audited comparative figures for the six months ended 31 December 2016 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2017

	Note	**Year ended 31 December 2017** *HK$'000*	Six months ended 31 December 2016 *HK$'000*
Revenue	*3*	**98,966**	9,530
Cost of sales	*5*	**(90,803)**	(5,736)
Gross profit		**8,163**	3,794
Other income	*4*	**564**	254
Selling and distribution costs	*5*	**(3,107)**	(1,517)
Administrative expenses	*5*	**(16,579)**	(8,916)
Research and development expenditures	*5*	**(1,933)**	(1,150)
Loss before income tax		**(12,892)**	(7,535)
Income tax expense	*6*	**(322)**	–
Loss for the year/period		**(13,214)**	(7,535)
Other comprehensive income for the year/period:			
Items that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**59**	135
Total comprehensive loss for the year/period		**(13,155)**	(7,400)
Loss for the year/period attributable to:			
– Owners of the Company		**(13,210)**	(7,517)
– Non-controlling interests		**(4)**	(18)
		(13,214)	(7,535)
Total comprehensive loss for the year/period attributable to:			
– Owners of the Company		**(13,113)**	(7,414)
– Non-controlling interests		**(42)**	14
		(13,155)	(7,400)
			(Restated)
Loss per share attributable to owners of the Company			
(HK cents per share)			
– Basic and diluted	*7*	**(67.00)**	(40.20)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2017

		As at 31 December	
		2017	2016
	Note	***HK$'000***	*HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**10,411**	11,627
Capitalised development costs		**–**	461
Available-for-sale financial asset		**1,462**	–
		11,873	12,088
Current assets			
Inventories		**102,668**	1,560
Trade and other receivables	*9*	**1,973**	2,754
Restricted bank deposits		**15,607**	–
Cash and cash equivalents		**86,067**	49,460
		206,315	53,774
Total assets		**218,188**	65,862
Equity			
Share capital		**4,687**	3,348
Other reserves		**198,246**	101,060
Accumulated losses		**(54,288)**	(41,078)
Capital and reserves attributable to owners of the Company		**148,645**	63,330
Non-controlling interests		**(504)**	(462)
Total equity		**148,141**	62,868
Liabilities			
Current liabilities			
Trade and other payables	*10*	**69,725**	2,994
Tax payables		**322**	–
Total liabilities		**70,047**	2,994
Total equity and liabilities		**218,188**	65,862

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2017

	Attributable to owners of the Company					
	Share capital	**Other reserves**	**Accumulated losses**	**Total**	**Non-controlling interests**	**Total**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2016	3,348	100,957	(33,561)	70,744	(476)	70,268
Loss for the period	–	–	(7,517)	(7,517)	(18)	(7,535)
Other comprehensive income	–	103	–	103	32	135
Total comprehensive income/(loss) for the period	–	103	(7,517)	(7,414)	14	(7,400)
At 31 December 2016	3,348	101,060	(41,078)	63,330	(462)	62,868
Loss for the year	–	–	(13,210)	(13,210)	(4)	(13,214)
Other comprehensive income/(loss)	–	97	–	97	(38)	59
Total comprehensive income/(loss) for the year	–	97	(13,210)	(13,113)	(42)	(13,155)
Transactions with owners in their capacity as owners:						
Contributions from rights issue net of transaction costs	1,339	97,089	–	98,428	–	98,428
At 31 December 2017	**4,687**	**198,246**	**(54,288)**	**148,645**	**(504)**	**148,141**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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 the GEM of the Stock Exchange of Hong Kong Limited.

These consolidated financial statements are presented in Hong Kong dollars ("**HK$**"), unless otherwise stated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of the consolidated financial statements. These policies have been consistently applied to all the years/periods presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of CircuTech International Holdings Limited and its subsidiaries.

Basis of preparation

(i) Compliance with HKFRS and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") and disclosure requirements of the Hong Kong Companies Ordinance Cap. 622 ("**HKCO**").

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale financial asset which is measured at fair value.

(iii) Change of accounting period end

In prior year, the reporting period end date of the Group was changed from 30 June to 31 December because the directors of the Company determined to bring the annual reporting period end date of the Group to be in line with that of the ultimate holding company and the operating subsidiaries established/incorporated in the People's Republic of China ("**PRC**") and the United States of America ("**U.S.**"). Accordingly, the consolidated financial statements for the previous period covered the six months period from 1 July 2016 to 31 December 2016. The corresponding amounts for the consolidated statement of comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes for current period cover a twelve-month period from 1 January 2017 to 31 December 2017 and therefore are not comparable with amounts shown for the previous period.

Changes in accounting policies and disclosures

(a) Amended standard adopted by the Group

The following amended standard is mandatory for the first time for the financial year beginning on or after 1 January 2017:

Amendments to HKAS 7 "Statement of cash flows" is effective for annual periods beginning on or after 1 January 2017. The amendments introduced an additional disclosure that will enable users of financial statements to evaluate changes in liabilities arising from financing activities.

Amendments as mentioned above are not expected to have a material effect on the Group's operating results, financial position or comprehensive income.

(b) Amendments to existing standards effective in 2017 but not relevant to the Group

Amendments to HKAS 12	Recognition of deferred tax assets for unrealised losses
Amendments to HKFRS 12	Disclosure of interest in other entities

(c) New and amended standards and interpretations not yet adopted

Certain new and amended accounting standards and interpretations have been published that are not mandatory for 31 December 2017 reporting period and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after	
Amendments to HKFRS 2	Classification and measurement of share-based payment transactions	1 January 2018	
Amendments to HKFRS 4	Insurance contracts	1 January 2018	
Amendments to HKFRS 1 and HKAS 28	Annual improvements 2014-2016 cycle	1 January 2018	
HKFRS 9	Financial instruments	1 January 2018	(i)
HKFRS 15	Revenue from contracts with customers	1 January 2018	(ii)
Amendments to HKFRS 15	Clarifications to HKFRS 15	1 January 2018	(ii)
HK(IFRIC)-Int 22	Foreign currency translations and advance considerations	1 January 2018	
Amendments to HKAS 40	Transfers of investment property	1 January 2018	
HKFRS 16	Leases	1 January 2019	(iii)
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019	
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019	
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 17	Insurance contracts	1 January 2021	

None of these is expected to have a significant effect on the consolidated financial statements of the Group, except those set out below:

(i) HKFRS 9 Financial Instruments

Nature of change

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

Impact

The Group has reviewed its financial assets and liabilities and is expecting the following impact from the adoption of the new standard on 1 January 2018:

The Group's equity instrument that is currently classified as available-for-sale will allow the management to make an irrevocable election to present as fair value through other comprehensive income ("**FVOCI**"). Accordingly, the Group does not expect the new guidance to affect the classification and measurement of the financial asset. However, gains or losses realised on the sale of financial asset at FVOCI will no longer be transferred to profit or loss on sale, but instead reclassified between the line from the FVOCI reserve to accumulated losses.

There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss ("**FVPL**") and the Group does not have any such liabilities. The derecognition rules have been transferred from Hong Kong Accounting Standards ("**HKAS**") 39 Financial Instruments: Recognition and Measurement and have not been changed.

The new hedge accounting rules will align the accounting for hedging instruments more closely with the Group's risk management practices. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. The Group does not have any hedge instrument. Therefore, the Group does not expect any impact on the new hedge accounting rules.

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("**ECL**") rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group does not expect material change to the loss allowance for trade debtors.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

Date of adoption by the Group

Must be applied for financial years commencing on or after 1 January 2018. The Group will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative figures for 2017 will not be restated.

(ii) HKFRS 15 Revenue from Contracts with Customers

Nature of change

The Hong Kong Institute of Certified Public Accountants ("HKICPA") has issued a new standard for the recognition of revenue. This will replace HKAS 18 which covers contracts for goods and services and HKAS 11 which covers construction contracts and the related literature.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

The standard permits either a full retrospective or a modified retrospective approach for the adoption.

Impact

Management has assessed the effects of applying the new standard on the Group's consolidated financial statements and has identified the following areas that will be affected:

Rights of return – HKFRS 15 requires separate presentation on the statement of financial position of the right to recover the goods from the customer and the refund obligation. The historical goods return rate is very low. The financial impact of applying new HKFRS 15 is not material.

Presentation of contract assets and contract liabilities in the statement of financial position – HKFRS 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position. This will result in some reclassifications as of 1 January 2018 in relation to contract liabilities which are currently included in other line items in the statement of financial position.

Date of adoption by the Group

HKFRS 15 is mandatory for financial years commencing on or after 1 January 2018. At this stage, the Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption, if any, will be recognised in accumulated losses as of 1 January 2018 and that comparatives will not be restated.

(iii) HKFRS 16 Leases

Nature of change

HKFRS 16 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.

Impact

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$638,000. The Group estimates some of the payments for short-term and low-value leases will be recognised on a straight-line basis as an expense in profit or loss.

However, the Group has not yet assessed what adjustments, if any, are necessary for example because of the change in the definition of the lease term and the different treatment of variable lease payments and of extension and termination options. It is therefore not yet possible to estimate the amount of right-of-use assets and lease liabilities that will have to be recognised on adoption of the new standard and how this may affect the Group's profit or loss and classification of cash flows going forward.

Date of adoption by the Group

Mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

3. SEGMENT INFORMATION

The Group derives the following types of revenue:

	Year ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
Sales and distribution of IT products	**98,950**	9,508
Repairs and service support	**16**	22
Total revenue	**98,966**	9,530

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.

No sales between segments are carried out during the year/period ended 31 December 2017 and 2016. The revenue from external parties is measured in the same way as in the 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 assets consist primarily of property, plant and equipment, trade and other receivables and inventory. Corporate assets are excluded from segment assets. Segment liabilities primarily comprise accounts and other payables. They exclude tax payables and corporate liabilities. Corporate assets and liabilities are not allocated to the reportable segments as they are managed on a central basis or at corporate level.

The segment information for the year ended and as at 31 December 2017 is as follows:

	Sales and distribution of IT products *HK$'000*	**Repairs and service support** *HK$'000*	**Total** *HK$'000*
Revenue from external customers	**98,950**	**16**	**98,966**
Segment loss	**(460)**	**(1,127)**	**(1,587)**
Interest income from bank deposits			**3**
Unallocated corporate expenses *(Note)*			**(11,308)**
Loss before income tax			**(12,892)**
Income tax expense			**(322)**
Loss for the year			**(13,214)**

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Other items for the year ended 31 December 2017			
Depreciation of property, plant and equipment	**111**	**1,131**	**1,242**
Amortisation of capitalised development costs	**461**	**–**	**461**
Loss on disposal of property, plant and equipment	**68**	**–**	**68**
Reversal of provision on trade receivables	**(21)**	**–**	**(21)**
Provision on inventories	**430**	**–**	**430**
Write off of inventories	**164**	**–**	**164**
Additions to non-current assets	**95**	**–**	**95**
Reportable segment assets	**105,996**	**10,209**	**116,205**
Unallocated corporate assets			**101,983**
Total assets per consolidated statement of financial position			**218,188**
Reportable segment liabilities	**68,290**	**–**	**68,290**
Tax payables			**322**
Unallocated corporate liabilities			**1,435**
Total liabilities per consolidated statement of financial position			**70,047**

The segment information for the six months ended and as at 31 December 2016 is as follows:

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue from external customers	9,508	22	9,530
Segment (loss)/profit	(1,544)	11	(1,533)
Interest income from bank deposits			2
Unallocated corporate expenses *(Note)*			(6,004)
Loss before income tax			(7,535)
Income tax expense			–
Loss for the period			(7,535)
Other items for the six months ended 31 December 2016			
Depreciation of property, plant and equipment	40	–	40
Amortisation of capitalised development costs	296	–	296
Loss on disposal of property, plant and equipment	31	–	31
Provision on trade receivables	94	–	94
Reversal of provision on inventories	(532)	–	(532)
Write off of inventories	853	–	853
Additions to non-current assets	169	11,315	11,484
Reportable segment assets	4,292	11,315	15,607
Unallocated corporate assets			50,255
Total assets per consolidated statement of financial position			65,862
Reportable segment liabilities	1,054	–	1,054
Tax payables			–
Unallocated corporate liabilities			1,940
Total liabilities per consolidated statement of financial position			2,994

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

The Group's business activities are conducted predominantly with customers in North America and Europe. The amount of its revenue from external customers and non-current assets broken down by location is shown in the table below.

	Revenue from external customers		**Non-current assets**	
	Year ended 31 December 2017	Six months ended 31 December 2016	**As at 31 December 2017**	As at 31 December 2016
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North America	**50,634**	19	**8**	–
Europe	**27,624**	1,849	**11**	–
Asia	**19,100**	6,374	**11,854**	12,088
Africa	**1,502**	1,196	**–**	–
Others	**106**	92	**–**	–
	98,966	9,530	**11,873**	12,088

Revenue is allocated based on the location where the Group's customers are located. Non-current assets are allocated based on the location where the Group's entities operate.

The following external customers individually contribute over 10% of the Group's total revenue and are attributable to the sales and distribution of IT products segment:

	Year ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
Customer A	**25,207**	–
Customer B	**21,316**	–
Customer C	**19,843**	–

4. OTHER INCOME

	Year ended 31 December 2017 *HK$'000*	Six months ended 31 December 2016 *HK$'000*
Interest income from bank deposits	**3**	2
Service fee income	**534**	187
Others	**27**	65
	564	254

5. EXPENSE BY NATURE

	Year ended 31 December 2017 *HK$'000*	Six months ended 31 December 2016 *HK$'000*
Cost of inventories sold	**89,196**	5,026
Employee benefit expenses	**10,690**	4,253
Loss on disposal of property, plant and equipment	**68**	35
Depreciation of property, plant and equipment	**1,242**	60
Amortisation of capitalised development costs (included in research and development expenditures)	**461**	296
Auditors' remuneration in respect of audit services	**896**	455
Net foreign exchange (gain)/loss	**(61)**	328
Provision/(reversal of provision) on inventories (included in cost of sales)	**430**	(532)
Write off of inventories	**164**	853
(Reversal of provision)/provision on trade receivables	**(21)**	94
Legal and professional expenses	**4,133**	3,574
Operating lease charges in respect of office and warehouse	**1,820**	1,296
Other expenses	**3,404**	1,581
Total cost of sales, selling and distribution costs, administrative expenses and research and development expenditures	**112,422**	17,319

6. INCOME TAX EXPENSE

	Year ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
Current tax		
Current tax on profits for the year/period	**322**	–

7. LOSS PER SHARE

7.1 Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year/period, adjusted for bonus elements in ordinary shares issued and effect from shares consolidation during the year.

	Year ended 31 December 2017	Six months ended 31 December 2016
	HK$'000	*HK$'000*
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share	**(13,210)**	(7,517)
		(Restated)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share *('000) (Note (i) & (ii))*	**19,717**	18,700
		(Restated)
Basic loss per share attributable to the ordinary equity holders of the Company *(HK cents per share)*	**(67.00)**	(40.20)

Notes:

(i) The weighted average number of ordinary shares for the purpose of calculating the basic and diluted loss per share has been adjusted for the share consolidation on 6 February 2017. Hence, the comparative figures for the basic loss per share are adjusted to take into account the effect of the above share consolidation during the period retrospectively as if it had taken place before the beginning of the comparative period.

(ii) On 4 September 2017, the Company has 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. The comparative figures for the basic loss per share are adjusted to take into account the effect of the above bonus elements from the rights issue retrospectively as if it had taken place before the beginning of the comparative period.

7.2 Diluted loss per share

Diluted loss per share is equal to basic loss per share as there was no dilutive potential share outstanding in year/period presented.

8. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (Six months ended 31 December 2016: Nil).

9. TRADE AND OTHER RECEIVABLES

	2017	2016
	HK$'000	*HK$'000*
Trade receivables	**1,052**	1,639
Provision for impairment	**(64)**	(99)
	988	1,540
Deposits and other receivables	**343**	668
Financial assets at amortised cost	**1,331**	2,208
Prepayments	**642**	546
Total trade and other receivables	**1,973**	2,754

The majority of the Group's sales are made on cash basis. The remaining amounts are made with credit terms of 30 days. At 31 December, the ageing analysis of the trade receivables based on due date were as follows:

	2017	2016
	HK$'000	*HK$'000*
Current and less than 1 month	**697**	1,231
1 to 3 months	**291**	309
	988	1,540

10. TRADE AND OTHER PAYABLES

	2017	2016
	HK$'000	*HK$'000*
Trade payables	**56,633**	624
Receipt in advance	**6,883**	200
Other tax payables	**3,454**	35
Accruals and other payables	**2,755**	2,135
	69,725	2,994

The carrying amounts of trade and other payables are considered to be the same as their fair values, due to their short-term nature.

At 31 December, the ageing analysis of the trade payables based on payment due date were are follows:

	2017	2016
	HK$'000	*HK$'000*
Current and less than 1 month	**56,617**	585
1 to 3 months	**14**	–
Over 3 months	**2**	39
	56,633	624

As at 31 December 2017, the Group had a bank facility for a standby line of credit to a vendor of the Group amounting to US$4,000,000 (equivalent to approximately HK$31,213,000) (2016: Nil). The facility are secured by a restricted bank deposit of US$2,000,000 and corporate guarantees given by the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

For the year ended 31 December 2017, the Group reported a turnover of approximately HK$98,966,000 (six months ended 31 December 2016: HK$9,530,000) and loss attributable to the owners of the Company of approximately HK$13,210,000 (six months ended 31 December 2016: HK$7,517,000). The Group continued to execute stringent cost controls. Total operating expenses of the Group, including selling and distribution costs, administrative expenses and research and development expenditures amounted to HK$21,619,000 (six months ended 31 December 2016: HK$11,583,000).

BUSINESS REVIEW

For the year ended 31 December 2017, the Group's total revenue amounted to approximately HK$99.0 million, representing an approximately tenfold increase as compared to the six months ended 31 December 2016. The Group recorded a significant decrease in gross profit margin from 39.8% to 8.2% which was mainly due to the inclusion of third party IT products and related discounts offered to deepen and broaden our customer base. Majority of the Group's income was attributable to sales and distribution of IT products for the year/period ended 31 December 2017 and 2016. During the year, the Group continuously rationalised its operations, and the administrative expenses of HK$16.6 million is 7% below the run rate for the six months ended 31 December 2016.

SEGMENT INFORMATION

Segment information by business line

	Year ended 31 December 2017 *HK$'000*	Six months ended 31 December 2016 *HK$'000*
Sales and distribution of IT products	**98,950**	9,508
Repairs and service support	**16**	22
	98,966	9,530

During the financial year, the revenue from sales and distribution of IT products continued to be the largest source of income which accounted for HK$98,950,000. Revenue from sales and distribution of IT products consists of video surveillance products carrying our own brand name and third-party IT products. Such revenue is mainly driven by the volume of goods, type of products and geographical location of the products, among other factors.

Majority of the repairs and services 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

	Year ended 31 December 2017 *HK$'000*	Six months ended 31 December 2016 *HK$'000*
North America	**50,634**	19
Europe	**27,624**	1,849
Asia	**19,100**	6,374
Africa	**1,502**	1,196
Other	**106**	92
	98,966	9,530

During the financial year, the North America market overtook Asia and contributed approximately 51.2% (six months ended 31 December 2016: 0.2%) of the Group's revenue. Europe continued to be the second large market of the Group which contributed approximately 27.9% (six months ended 31 December 2016: 19.4%) of the Group's revenue. Asia contributed approximately 19.3% (six months ended 31 December 2016: 66.9%) 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.

PRODUCT DEVELOPMENT

Having encountered numerous challenges in the past few years, the Group remains committed to its existing video surveillance business. To combat the tough market conditions, the Group had launched several solution plans, including pictureMAX solution, eventMAX solution, bandwidthMAX solution and time MAX solution, to strengthen the Group's product portfolio and enhance the Group's competitiveness in the market.

In the meantime, building upon the foundation and experience of the management team in international distribution, we have entered into a non-exclusive distribution agreement with a consumer electronics, computer software and online services brand to distribute hardware in multi-jurisdictions that are complementary to its current business offering.

ADMINISTRATIVE EXPENSES

For the year ended 31 December 2017, administrative expenses amounted to approximately HK$16,579,000 (six months ended 31 December 2016: HK$8,916,000). The Group continuously rationalised its operations and the administrative expenses is 7.0% below the run rate for the six months ended 31 December 2016.

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 the growth of business. 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.

DIVIDENDS

The Board does not recommend the payment of a dividend for the year ended 31 December 2017 (six months ended 31 December 2016: Nil).

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2017, the Group employed 23 (31 December 2016: 22) full time employees in Hong Kong and 8 (31 December 2016: 6) full time employees in the People's Republic of China and overseas offices. The staff costs of the Group, including directors' emoluments, employees' salaries, retirement benefits schemes contributions and other benefits amounted to approximately HK$10,690,000 (six months ended 31 December 2016: HK$4,253,000).

Employees are remunerated in accordance with individual's responsibility and performance, also taking into account the prevailing market rates to ensure competitiveness. Other fringe benefits such as medical insurance, retirement benefits and discretionary bonus are offered to all employees.

A share option scheme had been approved and adopted at the annual general meeting of the Company on 11 November 2016.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the financial year, the Group financed its daily operations with internally generated resources and net proceeds from the rights issue, which completed on 20 October 2017 (the "**Rights Issue**"). As at 31 December 2017, the Group had net current assets of approximately HK$136,268,000 (31 December 2016: HK$50,780,000) and cash and cash equivalents amounted to approximately HK$86,067,000 (31 December 2016: HK$49,460,000), mainly attributing to net proceeds from the Rights Issue. The Group had no borrowings outstanding as at 31 December 2017.

As at 31 December 2017, the gearing ratio, which is calculating on the basis of total borrowings over total equity of the Group, was 0% (31 December 2016: 0%).

CAPITAL STRUCTURE

As at 31 December 2017, the Company had an authorised share capital of HK$80,000,000 divided into 400,000,000 shares of a par value of HK$0.20 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 year.

The Group did not have any borrowings during the year ended 31 December 2017.

SIGNIFICANT INVESTMENT

The Group did not enter into any new significant investments during the year ended 31 December 2017.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies for the year ended 31 December 2017.

CHARGE OF ASSETS

As at 31 December 2017, a bank deposit of US$2,000,000 (equivalent to approximately HK$15,607,000) was pledged to a bank for bank facility amounting to US$4,000,000 (equivalent to approximately HK$31,213,000) granted to the Group (31 December 2016: Nil).

FUTURE PLAN FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Save as disclosed in the section headed "Use of Proceeds from Rights Issue" of this announcement, to continue executing its investment plan of augmenting its international distribution and fulfilment capabilities, the Group may, depending on circumstances and market conditions, consider the need for fundraising and/or financing from time to time in order to strengthen its human resources, plant and equipment and working capital. This will enable the Group to not only serve the distribution and fulfilment requirements of its own products, but also acquire the capabilities to support strategic third-party equipment manufacturing partners with innovative revenue models with a view to delivering enhanced value to Shareholders.

In addition, to accelerate the Group's capabilities to offer innovative revenue models in relation to IT hardware distribution and fulfilment support, the Board may contemplate selective strategic investments by means of stock and/or cash when suitable opportunities arise.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

During the financial year, the Group's transactions were substantially denominated in either Hong Kong dollars, United States dollars, Euros or British pounds. The Group did not use any financial instruments for hedging purposes during the year ended 31 December 2017 (six months ended 31 December 2016: Nil).

CONTINGENT LIABILITIES

As of 31 December 2017, the Group did not have any material contingent liabilities (31 December 2016: 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. Details of the use of proceeds are as follows:

– approximately HK$57,628,000 for facilitating the expansion of the Group's existing repairs and service support business;

– approximately HK$23,000,000 for facilitating the development of the Group's existing IT products trading business through sourcing used renowned branded products for sales and distribution; and

– approximately HK$17,800,000 for strategic investment in the business segment of "**circular economy**", which relates to the technology of recycling and transforming used technology products and materials.

Up to 31 December 2017, an accumulated amount of approximately HK$795,000 has been applied to facilitating the expansion of the Group's existing repairs and service support business. Certain oversea 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 31 December 2017, the proceeds of HK$23,000,000 for facilitating the development of the Group's existing IT products trading business were fully utilised.

Regarding the strategic investment in the business segment of "circular economy", the Group has identified one potential investment opportunity and started the negotiation process. As at the date of this announcement, no definitive agreement has been made.

The Directors considered that the net proceeds were applied in accordance with the intended uses as previously disclosed.

OTHER EVENTS

Change of Principal Place of Business in Hong Kong

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

Change of Accounting Period End

As announced on 30 September 2016, the Company changed its financial year end date from 30 June to 31 December in order to coincide with that of its ultimate holding company and its other subsidiaries. Accordingly, the financial period covers a twelve-month period from 1 January 2017 to 31 December 2017 with the comparative financial period from 1 July 2016 to 31 December 2016.

COMPETING BUSINESS

For the year ended 31 December 2017, none of the Directors, controlling shareholder or their respective close associates (as defined in the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "GEM Listing Rules")) has any interests in a business that competes or is likely to compete either directly or indirectly with the business of the Group.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

The Company has not redeemed any of its shares during the year. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

CORPORATE GOVERNANCE CODE

During the year ended 31 December 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 the following:

Code Provision A.2.1. 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 announcement, Dr. Woo Kwok Fai Louis performs both roles. 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 ("**CEO**") of the Company.

The Board considers that there is no imminent need to segregate the roles of chairman and CEO but will review the structure on a continuous basis if division of responsibilities between the chairman and CEO should be put in place for maintaining a balance of power and authority.

Save as disclosed above, the Board considered that the Company had complied with the code provisions set out in the Corporate Governance Code of the GEM Listing Rules during the year ended 31 December 2017.

DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. Upon the Company's specific enquiry, each of the Directors (including former Directors who acted as Director during the reporting period) has confirmed that during his/her tenure as Director for the year ended 31 December 2017, he/she had fully complied with the required standard of dealings and there was no event of non-compliance.

ANNUAL GENERAL MEETING AND CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting ("**AGM**") will be held at 10:00 a.m. on Thursday, 19 April 2018 at 2/F, J Plus, 35-45B Bonham Strand, Sheung Wan, Hong Kong. The register of members of the Company will be closed from Monday, 16 April 2018 to Thursday, 19 April 2018, both days inclusive, in order to determine the eligibility of shareholders to attend the AGM, during which period no share transfers will be registered. To be eligible to attend the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Hong Kong branch share registrar and transfer office in Hong Kong, Tricor Tengis Limited, at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Friday, 13 April 2018.

AUDIT COMMITTEE

The Audit Committee has adopted written terms of reference in compliance with Code Provision C.3.3. of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 December 2017, members of the Audit Committee were Mr. Li Robin Kit Ling (chairman) (effective on 1 December 2017), Mr. Yeung Wai Hung Peter, Mr. Miao Benny Hua-ben and our former independent non-executive Director, Ms. Wu Yi Shuan (resigned as the chairman of Audit Committee on 1 December 2017). At the discretion of the Audit Committee, executive Directors and/or senior management personnel overseeing the Group's finance may be invited to attend meetings. The Audit Committee normally meets four times a year and also meets the external auditors twice without the presence of the executive Directors.

The duties of the Audit Committee include, among other things, reviewing and monitoring the financial and internal control aspects, risk management system, audit plan and relationship with external auditors, arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, and internal control or other matters of the Company. The Audit Committee reviews the truth and fairness of the Company's financial statements, annual report, interim report and quarterly reports, discusses with the external auditors the nature and scope of audit before the audit commences as well as the findings and recommendations raised by the auditors during and after completion of the audit. The Audit Committee conducts an assessment, at least annually, of the effectiveness of the Group's internal controls and financial controls system, risk management system, scope of work and appointment of external auditors and arrangements for employees to raise concerns about possible improprieties. This allows the Board to monitor the Group's overall financial position and to protect its assets. The chairman of the Audit Committee summarises activities of the Audit Committee, highlights issues arising therefrom, and provides recommendations for reporting to the Board after each meeting.

The external auditors performs independent statutory audit on the Group's financial statements and as part of the audit engagement, reports to the Audit Committee any significant deficiencies (if any) in the Group's internal control system which might come to their attention during the course of audit.

The annual results, including the consolidated statement of financial position, consolidated statement of comprehensive income and related notes thereto for the year ended 31 December 2017 have been reviewed by the Audit Committee.

REMUNERATION COMMITTEE

The Remuneration Committee has adopted written terms of reference in compliance with Code Provision B.1.2 of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules.

During the year ended 31 December 2017, members of the Remuneration Committee were Mr. Yeung Wai Hung Peter (chairman), Mr. Li Robin Kit Ling, Mr. Miao Benny Hua-ben (each an independent non-executive Director), Dr. Woo Kwok Fai Louis, Mr. Cheng Michael Ichiang (each an executive Director) and Ms. Wu Yi Shuan (former independent non-executive Director and resigned as a member of Remuneration Committee on 1 December 2017). The Remuneration Committee held three meetings during the reporting period and 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 Nomination Committee has adopted written terms of reference in compliance with Code Provision A.5.2. of the Corporate Governance Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee are to implement the Group's Board Diversity Policy by reviewing the composition of the Board, identifying suitable candidates for the appointment and re-election of Directors, assessing the independence of independent non-executive Directors and monitoring the succession planning of Directors.

During the year ended 31 December 2017, members of the Nomination Committee were Mr. Miao Benny Hua-ben (chairman), Mr. Yeung Wai Hung Peter and Mr. Li Robin Kit Ling (each an independent non-executive Director), Mr. Cheng Michael Ichiang (an executive Director), and Ms. Wu Yi Shuan (former independent non-executive Director and resigned as a member of Nomination Committee on 1 December 2017). The Nomination Committee held three meetings during the reporting period and was responsible for evaluating and making recommendations for the re-election of directors at the annual general meeting held on 10 May 2017 and identifying suitably qualified candidates to become members of the Board.

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

Hong Kong, 9 March 2018

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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 announcement 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 announcement misleading.

This announcement will remain at the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the website of the Company at www.circutech.com.

In the event of any discrepancies between the English version and the Chinese version, the English version shall prevail.

Certain amounts and percentage figures included in this announcement have been subject to rounding adjustments.