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 2018

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

GEM has been positioned as a market designed to accommodate small and mid-sized 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.

Given that the companies listed on GEM are generally small and mid-sized companies, 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 2018 ("**FY2018**"), together with the audited comparative figures for the year ended 31 December 2017 ("**FY2017**") as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the year ended 31 December	
	Note	**2018** *HK$'000*	2017 *HK$'000*
Revenue	*3*	**299,109**	98,966
Cost of sales	*5*	**(284,271)**	(90,803)
Gross profit		**14,838**	8,163
Other income	*4*	**252**	564
Selling and distribution costs	*5*	**(5,754)**	(3,107)
Administrative expenses	*5*	**(22,081)**	(16,579)
Research and development expenditures	*5*	**(1,550)**	(1,933)
Operating loss		**(14,295)**	(12,892)
Share of net profit of an associate accounted for using the equity method		**523**	–
Loss before income tax		**(13,772)**	(12,892)
Income tax expense	*6*	**(834)**	(322)
Loss for the year		**(14,606)**	(13,214)
Other comprehensive (loss)/income for the year:			
Item that may be reclassified to profit or loss			
Exchange differences on translation of foreign operations		**(1,963)**	59
Item that will not be reclassified to profit or loss			
Changes in the fair value of equity investments at fair value through other comprehensive income		**30**	–
		(1,933)	59
Total comprehensive loss for the year		**(16,539)**	(13,155)
Loss for the year attributable to:			
– Owners of the Company		**(14,601)**	(13,210)
– Non-controlling interests		**(5)**	(4)
		(14,606)	(13,214)
Total comprehensive loss for the year attributable to:			
– Owners of the Company		**(16,552)**	(13,113)
– Non-controlling interests		**13**	(42)
		(16,539)	(13,155)
Loss per share attributable to owners of the Company *(HK cents per share)*			
– Basic and diluted	*7*	**(62.31)**	(67.00)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December	
		2018	2017
	Note	***HK$'000***	*HK$'000*
Assets			
Non-current assets			
Property, plant and equipment		**8,158**	10,411
Interest in an associate		**6,958**	–
Derivative financial instrument		**7,788**	–
Financial asset at fair value through other comprehensive income		**1,492**	–
Available-for-sale financial asset		**–**	1,462
		24,396	11,873
Current assets			
Inventories		**12,327**	102,668
Trade and other receivables	*9*	**7,600**	1,973
Restricted bank deposits		**31,220**	15,607
Cash and cash equivalents		**72,369**	86,067
		123,516	206,315
Total assets		**147,912**	218,188
Equity			
Share capital		**4,687**	4,687
Other reserves		**196,295**	198,246
Accumulated losses		**(68,889)**	(54,288)
Capital and reserves attributable to owners of the Company		**132,093**	148,645
Non-controlling interests		**(491)**	(504)
Total equity		**131,602**	148,141
Liabilities			
Current liabilities			
Trade and other payables	*10*	**14,003**	69,725
Contract liabilities		**1,232**	–
Tax payables		**1,075**	322
Total liabilities		**16,310**	70,047
Total equity and liabilities		**147,912**	218,188

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2018

	Attributable to owners of the Company					
	Share capital *HK$'000*	**Other reserves** *HK$'000*	**Accumulated losses** *HK$'000*	**Total** *HK$'000*	**Non-controlling interests** *HK$'000*	**Total** *HK$'000*
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
Loss for the year	–	–	(14,601)	(14,601)	(5)	(14,606)
Other comprehensive (loss)/income	–	(1,951)	–	(1,951)	18	(1,933)
Total comprehensive (loss)/income for the year	–	(1,951)	(14,601)	(16,552)	13	(16,539)
At 31 December 2018	**4,687**	**196,295**	**(68,889)**	**132,093**	**(491)**	**131,602**

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 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 these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The 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 certain financial assets and liabilities (including derivative instruments) measured at fair value.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies.

Changes in accounting policies and disclosures

(a) New and amended standards and interpretations as adopted by the Group

The following new and amended standards and interpretations 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
HKFRS 15 (amendments)	Clarifications to HKFRS 15
HKFRS 2 (amendments)	Classification and measurement of share-based payment transactions
HKFRS 4 (amendments)	Applying HKFRS 9 financial instruments with HKFRS 4 insurance contracts
Annual improvements project HKFRS 1 and HKAS 28	Annual improvements 2014-2016 cycle
HKAS 40 (amendments)	Transfers to investment property
HK(IFRIC)-Int 22	Foreign currency transactions and advance consideration

The Group had to change its accounting policies following the adoption of HKFRS 9 and HKFRS 15. The other amendments and interpretations listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(b) New and amended standards, interpretations and conceptual framework not yet adopted

Certain new and amended standards, interpretations and conceptual framework have been published that are not mandatory for 31 December 2018 reporting period and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
Annual improvements project (amendments)	Annual improvements 2015-2017 cycle	1 January 2019
HKAS 1 (revised) and HKAS 8 (amendments)	Definition of material	1 January 2020
HKAS 19 (amendments)	Plan amendment, curtailment or settlement	1 January 2019
HKAS 28 (amendments)	Long-term interests in associates and joint ventures	1 January 2019
HKFRS 3 (amendments)	Business combination	1 January 2020
HKFRS 9 (amendments)	Prepayment features with negative compensation	1 January 2019
HKFRS 16	Leases	1 January 2019
HKFRS 17	Insurance contracts	1 January 2021
HK(IFRIC)-Int 23	Uncertainty over income tax treatments	1 January 2019
Conceptual framework for financial reporting 2018	Revised conceptual framework for financial reporting	1 January 2020
HKFRS 10 and HKAS 28 (amendments)	Sales or contribution of assets between an investor and its associate or joint venture	To be determined

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

(i) HKFRS 16 Leases

Nature of change

HKFRS 16 was issued on 1 January 2016. It results 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.

Impact

The Group has reviewed all of the Group's leasing arrangements over the last year in light of the new lease accounting rules in HKFRS 16. 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$1,276,000. Of these commitments, approximately HK$6,000 relate to short-term leases which will be recognised on a straight-line basis as expense in profit or loss.

HKFRS 16 provides new provisions for the accounting treatment of leases and all non-current leases, including future operating lease commitments, must be recognised in the form of an asset (for the right of use) and a financial liability (for the payment obligation). Short-term leases of less than twelve months and leases of low-value assets are exempt from the reporting obligation. The new standard will therefore result in an increase in assets and financial liabilities in the consolidated statements of financial position. Operating expenses under otherwise identical circumstances will decrease, and depreciation and interest expense will increase. It is expected that certain portion of these lease commitments will be required to be recognised in the statement of financial position as right of use assets and lease liabilities.

The Group expects to recognise right-of-use assets and lease liabilities for the non-cancellable operating lease commitments which are more than one year. The Group expects no material impact to the consolidated statement of comprehensive income.

Date of adoption by the Group

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

(c) Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements.

1 HKFRS 9 Financial Instruments

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.

The adoption of HKFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. In accordance with the transitional provisions in HKFRS 9, comparative figures have not been restated.

(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:

Financial assets – 1 January 2018	*Note*	**Avaliable-for-sale financial asset** *HK$'000*	**Financial asset at fair value through other comprehensive income ("FVOCI")** *HK$'000*
Closing balance 31 December 2017 – HKAS 39		1,462	–
Reclassify non-trading equity from available-for-sale financial asset to financial asset at FVOCI	*(a)*	(1,462)	1,462
Opening balance 1 January 2018 – HKFRS 9		–	1,462

(a) Equity investment previously classified as available-for-sale financial asset

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 financial asset, 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 asset to financial asset at FVOCI on 1 January 2018.

There is no impact on the Group's accumulated losses as at 1 January 2018 as both HKAS 39 and HKFRS 9 require any changes in the fair value of the non-trading unlisted equity security to be recognised as other comprehensive income/loss in equity.

(ii) Impairment of financial assets

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 receivables.

The Group was required to revise its impairment methodology under HKFRS 9 for each of these classes of assets. The provision for impairment of 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 and restricted bank deposits 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 impairment of these financial assets. Hence, there is no impact on the Group's accumulated losses as at 1 January 2018.

Other receivables

Other financial assets at amortised cost include deposits and other receivables. Applying the ECL model, resulted in immaterial impact on the provision for impairment of these financial assets. Hence, there is no impact on the Group's accumulated losses as at 1 January 2018.

2 *HKFRS 15 Revenue from Contracts with Customers*

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 accumulated losses (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.

As a result of the changes in the Group's accounting policies, as explained below, except for the reclassification of the contract liabilities from deferred revenue, HKFRS 15 was generally adopted without restating any other comparative information. The adoption of HKFRS 15 in the current period does not result in any impact on the amounts reported in the consolidated financial information and/or disclosures set out in the consolidated financial information except that, the Group has adopted the following accounting policies on revenues with effect from 1 January 2018.

HKFRS 15 requires that revenue from contracts with customers be recognised upon the transfer of control over goods or services to the customer. As such, upon adoption, this requirement under HKFRS 15 resulted in immaterial impact to the consolidated financial statements as the timing of revenue recognition on sale of goods is nearly unchanged. Thus there was no impact on the Group's consolidated statement of financial position as of 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):

	As at 31 December 2017 (as previously reported)	**Effect under HKFRS 15**	**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. SEGMENT INFORMATION

The Group derives the following types of revenue:

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Sales and distribution of IT products	**298,728**	98,950
Repairs and service support	**381**	16
Total revenue	**299,109**	98,966

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 ended 31 December 2018 and 2017. 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 2018 is as follows:

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue from external customers	**298,728**	**381**	**299,109**
Time of revenue recognition			
– At a point in time	**298,728**	**–**	**298,728**
– Over time	**–**	**381**	**381**
	298,728	**381**	**299,109**
Segment (loss)/profit	**(1,409)**	**173**	**(1,236)**
Interest income from bank deposits			**233**
Unallocated corporate expenses *(Note)*			**(13,292)**
Operating loss			**(14,295)**
Share of net profit of associates accounted for using the equity method			**523**
Loss before income tax			**(13,772)**
Income tax expense			**(834)**
Loss for the year			**(14,606)**

	For the year ended 31 December 2018			
	Sales and distribution of IT products	**Repairs and service support**	**Unallocated**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Depreciation of property, plant and equipment	**104**	**–**	**2,263**	**2,367**
Loss on disposal of property, plant and equipment	**45**	**–**	**–**	**45**
Reversal of provision for impairment of trade receivables	**(10)**	**–**	**–**	**(10)**
Provision for inventories	**1,517**	**–**	**–**	**1,517**
Write off of inventories	**110**	**–**	**–**	**110**
Additions to non-current assets	**160**	**–**	**–**	**160**

	Sales and distribution of IT products	**Repairs and service support**	**Total**
	HK$'000	***HK$'000***	***HK$'000***
Reportable segment assets	**18,997**	**–**	**18,997**
Unallocated corporate assets			**128,915**
Total assets per consolidated statement of financial position			**147,912**
Reportable segment liabilities	**13,502**	**–**	**13,502**
Tax payables			**1,075**
Unallocated corporate liabilities			**1,733**
Total liabilities per consolidated statement of financial position			**16,310**

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)
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 for impairment of trade receivables	(21)	–	(21)
Provision for inventories	430	–	430
Write off of inventories	164	–	164
Additions to non-current assets	95	–	95

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
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

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 broken down by location of the Group's customers and non-current assets based on countries where the Group's entities operate is shown in the table below.

	Revenue from external customers		**Non-current assets**	
	2018	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
North America	**189,990**	50,634	**5**	8
Europe	**69,415**	27,624	**14,769**	11
Asia	**37,953**	19,100	**9,622**	11,854
Africa	**1,678**	1,502	**–**	–
Others	**73**	106	**–**	–
	299,109	98,966	**24,396**	11,873

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

	2018	2017
	HK$'000	*HK$'000*
Customer A	**152,280**	25,207
Customer B	*	21,316
Customer C	*	19,843

* *Representing contributed less than 10% of the total revenue of the Group during the year.*

(a) Contract liabilities

The Group has recognised the following liabilities related to contracts with customers:

	2018	2017
	HK$'000	*HK$'000*
Contract liabilities related to sales and distribution of IT products	**1,232**	–

The Group has adopted HKFRS 15 from 1 January 2018 with modified retrospective approach. The comparative information for prior periods is not restated.

Contract liabilities represent advanced payments received from customers for goods that have not yet been delivered to the customers. As at 31 December 2018, the contract liabilities mainly included the advanced payments received from individual customers for sales of IT products after the end of respective reporting period.

(b) Revenue recognised in relation to contract liabilities

Revenue of HK$6,832,000 is recognised in relation to contract liabilities in the year ended 31 December 2018 related to carried forward contract liabilities as at 1 January 2018. There is no revenue recognised in relation to contract liabilities for performance obligation satisfied on or before 1 January 2018.

4. OTHER INCOME

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Interest income from bank deposits	**233**	3
Service fee income	**2**	534
Others	**17**	27
	252	564

5. EXPENSE BY NATURE

	Year ended 31 December	
	2018	2017
	HK$'000	*HK$'000*
Cost of inventories sold	**281,939**	89,196
Employee benefits expenses, including directors' emoluments	**12,890**	10,690
Loss on disposal of property, plant and equipment	**45**	68
Depreciation of property, plant and equipment	**2,367**	1,242
Amortisation of capitalised development costs (included in research and development expenditures)	**–**	461
Auditors' remuneration		
– Audit services	**979**	1,000
– Non-audit services	**350**	160
Net foreign exchange loss/(gain)	**2,577**	(61)
Provision for inventories (included in cost of sales)	**1,517**	430
Write off of inventories	**110**	164
Reversal of provision for impairment of trade receivables	**(10)**	(21)
Legal and professional expenses	**4,506**	3,869
Operating lease charges		
– Office and warehouse	**2,145**	1,804
– property, plant and equipment	**171**	16
Facility arrangement fee	**1,025**	624
Other expenses	**3,045**	2,780
Total cost of sales, selling and distribution costs, administrative expenses and research and development expenditures	**313,656**	112,422

6. INCOME TAX EXPENSE

Taxation on profits has been calculated on the estimated assessable profit/(loss) for the year at the rates of taxation prevailing in the countries/places in which the Group operates.

	Year ended 31 December	
	2018	2017
	HK\$'000	*HK\$'000*
Current tax	**834**	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:

	Year ended 31 December	
	2018	2017
	HK\$'000	*HK\$'000*
Loss attributable to the ordinary equity holders of the Company used in calculating basic loss per share	**(14,601)**	(13,210)
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share *('000) (Note (i))*	**23,434**	19,717
Basic loss per share attributable to the ordinary equity holders of the Company *(HK cents per share)*	**(62.31)**	(67.00)

Note:

(i) For the year ended 31 December 2017, 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 and the issuance of rights shares completed on 20 October 2017.

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 during the year (2017: same).

8. DIVIDEND

The Board does not recommend the payment of a dividend for the year ended 31 December 2018 (2017: nil).

9. TRADE AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**5,801**	1,052
Provision for trade receivables	**–**	(64)
	5,801	988
Deposits and other receivables	**477**	343
Financial assets at amortised cost	**6,278**	1,331
Prepayments	**1,322**	642
Total trade and other receivables	**7,600**	1,973

The majority of the Group's sales are on cash basis. The remaining amounts are with credit terms of generally ranging from 15 to 45 days. At 31 December 2018, the ageing analysis of the trade receivables based on invoice date were as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**5,239**	697
2 to 3 months	**432**	291
Over 3 months	**130**	64
	5,801	1,052

10. TRADE AND OTHER PAYABLES

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**10,290**	56,633
Receipts in advance	**–**	6,883
Other tax payables	**680**	3,454
Accruals and other payables	**3,033**	2,755
	14,003	69,725

At 31 December 2018, the ageing analysis of the trade payables based on invoice date were are follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**10,288**	56,617
2 to 3 months	**–**	14
Over 3 months	**2**	2
	10,290	56,633

11. EVENT OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the financial year end date, the Group entered into an equipment lease agreement with a related party for leasing of machinery at a quarterly lease payment of HK$600,000 for a period of 3 years.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group principally engages in the sales and distribution of IT products, and the provision of repairs and other service support of IT products. The Group offers a comprehensive and wide range of video surveillance products which have unique technologies, including five layers hacker resistance and best-in-class video compression technology developed by the Group. These technologies are complementary to one another, and provide customers dedicated cost efficient solutions. Although the video surveillance systems industry is highly competitive, in particular, the Group directly and indirectly competes with large global vendors in form of pricing, range of services provided and information technology, the Group is committed to continuously developing new technologies for targeted market to strengthen its market position thus improving profitability. The Group has also addressed the commoditisation of video surveillance systems by further broadening its products offering through introduction of additional third party IT products distributed through its well established network covering the North America, Asia, Europe and Africa. The Group will closely monitor the market situations and make necessary adjustments to its strategies and operations.

SEGMENT INFORMATION

Segment information by business line

During FY2018, the revenue from sales and distribution of IT products continued to be the largest source of income which accounted for approximately 99.9% of the revenue. For FY2018, the Group continued to achieve robust growth in the segment of sales and distribution of IT products, and the revenue generated from this segment increased by approximately 200% as compared to the same period in 2017. The revenue from sales and distribution of IT products consisted of video surveillance products carrying our own brand name and third-party IT products. The revenue growth of this segment is attributable to the increase of volume of goods sold driven by the rapid expansion of North American market fuelled by our expanded range of third-party branded product offerings.

	Year ended 31 December 2018	Year ended 31 December 2017
	HK$'000	*HK$'000*
Sales and distribution of IT products	**298,728**	98,950
Repairs and service support	**381**	16
	299,109	98,966

The 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 continues to seek potential business opportunities to expand its service support business by sourcing spare parts of electronic products for target customers, which included renowned IT brands and their service centers.

Segment information by geographical location

	Year ended 31 December 2018	Year ended 31 December 2017
	HK$'000	*HK$'000*
North America	**189,990**	50,634
Europe	**69,415**	27,624
Asia	**37,953**	19,100
Africa	**1,678**	1,502
Other	**73**	106
	299,109	98,966

During FY2018, the North America, Europe and Asia continued to be the top three markets of the Group in terms of their respective contribution to the revenue of the Group. The North America market continued to be the largest market of the Group which contributed approximately 63.5% (2017: 51.2%) of the Group's revenue. Europe continued to be the second largest market of the Group which contributed approximately 23.2% (2017: 27.9%) of the Group's revenue. Asia contributed approximately 12.7% (2017: 19.3%) of the Group's revenue.

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 new products, including timeMAX solution 2.0, bandwidthMAX solution 2.0, Analogue HD 4K AHD Solution and certain new cameras to strengthen the Group's product portfolio and enhance the Group's competitiveness in the market. A unique hacker resistant technology is incorporated into a range of product which is designed to prevent hackers from extracting confidential video data from security camera, giving users a peace of mind.

In the meantime, building upon the foundation and experience of the management team in international distribution, the Group has further expanded its consumer electronics products offering in multi-jurisdictions that are complementary to its current business offering.

BUSINESS RISKS RELATING TO THE GROUP

The Group may not be able to keep up with technological changes in the video surveillance industry in order to remain competitive

The Group has continuously invested in research and development to develop updates and new products in order to maintain the Group's competitive edge in the market. The performance of the Group depends on the Group's ability to develop updates to its existing products and to develop new products, which in turn is determined by the Group's research efforts to develop technologies which keep up with the latest technological trends in the industry and the Group's timely recruitment of personnel with the relevant skills. The effect of emerging and future technological changes in relation to product specifications to the Group's research and development plans or the level of technologies is unpredictable.

In addition, our competitors may develop technologies and products that are superior to ours in terms of quality and/or price. Failure to respond to the technological developments and maintain or enhance our competitiveness within the industry or maintain our customer base may result in decrease in profit margins and loss of market share, and our financial performance and profitability may be adversely affected.

The Group's insurance may be insufficient to cover all losses associated with its business operations

The Group maintains insurance policies against loss or damage to its office and business interruption, public liability and employees' compensation. The insurance coverage may be insufficient to cover all the risks associated with the Group's business and operations in the future. In the case of an uninsured loss or a loss in excess of insured limited, including those caused by natural disasters and other events beyond the Group's control, the Group may be required to pay for losses, damages and liabilities out of its own funds, which could materially and adversely affect its business, financial condition and results of operations. Even if the insurance coverage is adequate to cover its direct losses, the Group may need to be responsible for the indirect losses. Furthermore, claim records of the Group may affect the premiums which insurance companies charge in the future.

Despite the above, the Group considers that the current insurance coverage is sufficient for its existing operation scale and the Group will review its insurance policies from time to time.

BUSINESS OUTLOOK

Building upon the foundation and experience gained in 2018, we expect the segments to which the Group operates will continue to be competitive. To maintain its competitive edge in this tough business environment, the Group will allocate resources to distribution business and circular economy of focused IT products over the coming quarters. We may also execute capital expenditure plans to expand our capability in "circular economy" over the coming quarters.

We expect the Group will face keen competition in its video surveillance system product business and the Group is committed to continuously developing new technologies for targeted market in order to deepen relationships with our customers and partners thus improving profitability.

The Group will continuously strengthen the management team, expand the international footprint and broaden our customer base. The management anticipates additional fundraising may from time to time be required to support the working capital expenditure for such business growth. This entails investment in expanding and revamping overseas organisation structure, and potential capital expenditures if it is deemed to strategically enhance our capabilities.

FINANCIAL REVIEW

Revenue

The Group mainly engages in two business segments, namely, i) sales and distribution of IT products; and ii) repairs and services support. The Group's total revenue amounted to approximately HK$299,109,000 for FY2018, representing an increase of approximately 200% as compared to that of approximately HK$98,966,000 for FY2017. 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

A 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 FY2018 increased to approximately HK$284,271,000, representing an increase of approximately 213% as compared to that of approximately HK$90,803,000 for FY2017. Provision of inventories, included in the cost of sales, increased to approximately HK$1,517,000 in FY2018 as compared to that of approximately HK$430,000 in FY2017 to account for the increase in slow-moving inventories.

Gross profit and gross profit margin

Gross profit increased by approximately HK$6,675,000 to approximately HK$14,838,000 for FY2018, which was in line with the business volume growth. However, the overall gross profit margin decreased from 8.2% for FY2017 to 5.0% for FY2018 due to the distribution of third-party IT products which generated a lower profit margin when compared to the video surveillance products carrying our brand name.

Administrative expenses

During FY2018, administrative expenses increased by approximately 33.2% to approximately HK$21,081,000 (FY2017: HK$16,579,000). The increase was mainly due to the recognition of foreign currency exchange losses arising from the depreciation of the Euro, an one-off professional fee in pursuing strategic investments to expand the Group's capability in "circular economy" and the employment of seasoned professional staff to support business growth across all segments.

Net loss for the year

Despite the improvement in revenue and gross profit, the Group recorded a loss of approximately HK$14,606,000 for FY2018 (FY2017: a loss of approximately HK$13,214,000) primarily attributable to the increase in administrative expenses. The loss per share for FY2018 was HK cents 62.31 (FY2017: loss per share of HK cents 67.00).

Inventories and trade receivables

As at 31 December 2018, the inventory level decreased by approximately 88.0% to approximately HK$12,327,000 (31 December 2017: HK$102,668,000). The significant reduction in inventory balances was attributable to strengthened inventory management control by reducing the inventory turnover days to less than 45 days, which helps free investment capital and reduce inventory holding and handling costs.

Trade receivables increased by approximately 487% to approximately HK$5,801,000 as at 31 December 2018 (31 December 2017: HK$988,000). Such increase in trade receivables was attributable to new credit line granted to customers. During FY2018, the customers of the Group maintain good credit history and no material impairment of trade receivables for doubtful debts is recognised.

Key financial performance

The above financial data were chosen to be presented in this announcement as they represent a material financial impact on the consolidated financial statements of the Group for the current financial year and/or the previous financial year, that a change of which could affect the revenue and profit conspicuously. It is believed that the Group can effectively explain the financial performance of the Group for the year by presenting the changes of these financial data.

DIVIDENDS

The Board does not recommend the payment of a dividend for FY2018 (FY2017: Nil).

DIVIDEND POLICY

The Company does not have fixed dividend policy. It shall consider the following factors before declaring or recommending dividends:

– the general financial condition of the Group;

– the Group's actual and future operations and liquidity position;

– the Group's expected working capital requirements and future expansion plans;

– the Group's debt to equity ratios and the debt level;

– the restrictions on payment of dividends that may be imposed by the Group's lenders (if any);

– the retained earnings and distributable reserves of the Company and each of the members of the Group;

– the general market conditions; and

– any other factors that the Board deems appropriate.

Declaration of dividend by the Company is also subject to any restrictions under the Laws of Cayman Islands, the memorandum and articles of association of the Company and any applicable laws, rules and regulation.

EMPLOYEE AND REMUNERATION POLICY

As of 31 December 2018, the Group employed 22 (31 December 2017: 23) full time employees in Hong Kong and 7 (31 December 2017: 8) full time employees in the People's Republic of China and overseas offices. The staff costs of the Group, including directors' emoluments, employees' salaries and commission, retirement benefits schemes contributions and other benefits for FY2018 amounted to approximately HK$12,890,000 (FY2017: HK$10,690,000).

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 FY2018, 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 31 December 2018, the Group had net current assets of approximately HK$107,206,000 (31 December 2017: HK$136,268,000) and cash and cash equivalents amounted to approximately HK$72,369,000 (31 December 2017: HK$86,067,000). The Group had no borrowings outstanding as at 31 December 2018.

As at 31 December 2018, the gearing ratio, which is calculating on the basis of total borrowings over total equity of the Group, was 0% (2017: 0%).

CAPITAL STRUCTURE

As at 31 December 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$0.20 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 FY2018.

SIGNIFICANT INVESTMENT

The Group did not enter into any new significant investments during FY2018.

CHARGE OF ASSETS

As at 31 December 2018, a bank deposit of US$4,000,000 (equivalent to approximately HK$31,220,000) was pledged to a bank for the bank facility amounting to US$8,000,000 (equivalent to approximately HK$62,440,000) granted to the Group (31 December 2017: US$4,000,000 equivalent to approximately HK$31,213,000). Such bank facility was drawn by the Group to issue a standby letter of credit to a vendor in FY2018.

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 business 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.

FOREIGN EXCHANGE EXPOSURE

The Group mainly operates in Hong Kong, Taiwan, US and Europe with most of the transactions settled in HK$, United States dollars ("**USD**") and Euro. The Group is exposed to foreign exchange risk from various currencies, primarily with respect to USD and Euro. The Management has a policy to manage the foreign exchange risk against the functional currencies of the Group. It mainly includes managing the foreign exchange risk by performing regular reviews of the Group's net foreign exchange exposures and would consider the use of foreign exchange contracts to manage our foreign exchange risks, where appropriate. The Group did not enter into any derivative financial instruments for FY2018. The Group did not use any financial instruments for hedging purposes during FY2018 (2017: Nil).

CONTINGENT LIABILITIES

As of 31 December 2018, the Group did not have any material contingent liabilities (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:–

	Originally proposed and revised use of proceeds from the Rights Issue *HK$'000*	**Amount utilised up to 31 December 2018** ***HK$'000***	**Amount unutilised as at 31 December 2018** ***HK$'000***	**Expected time of full utilisation of the remaining balance**
Expansion of the repairs and service support business	7,600	**1,871**	**5,729**	**Third quarter in 2020**
Development of IT products trading business	73,000	**73,000**	**–**	**N/A**
Strategic investment in the business segment of "circular economy"	17,800	**17,800**	**–**	**N/A**
	98,400	**92,671**	**5,729**	

As previously disclosed in the announcement dated 28 March 2018, HK$50 million of the proceeds from the Rights Issue originally intended for "the expansion of the repairs and service support business" (Service Support Business) was reallocated to the "development of IT products trading business" (Distribution Business).

Up to 31 December 2018, an accumulated amount of approximately HK$1,871,000 has been applied to expand 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 2018, the proceeds of HK$73,000,000 for the development of the Group's existing IT products trading business were fully utilised.

Up to 31 December 2018, the proceeds of HK$17,800,000 for the strategic investment in the business segment of "circular economy" were fully utilised. The Group completed an acquisition of 21% of the issued share capital of 4Square Return GmbH. 4Square Return GmbH engaged in compliance consulting, the provision of take back services and value recycling economy for the electronics industry. The Group considers that such investment would enable the Group to enhance its exposure in green technology and enhance the Group's business profile.

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

MATERIAL ACQUISITIONS AND DISPOSALS

Other than the acquisition of an associate as announced in the announcement of the Company dated 4 June 2018, the Group did not make any material acquisitions and disposals of subsidiaries and affiliated companies for the FY2018.

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 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong with effect from 31 May 2018.

Resignation of Joint Company Secretary

Ms. Wong Sau Ping ("**Ms. Wong**") resigned as the joint company secretary of the Company with effect from 31 August 2018. Following Ms. Wong's resignation as a joint company secretary, Mr. Tam Hoi Kwong, the remaining joint company secretary of the Company acts as the sole company secretary of the Company.

EVENT OCCURRING AFTER THE REPORTING PERIOD

Subsequent to the financial year end date, the Group entered into an equipment lease agreement with a related party for leasing of machinery at a quarterly lease payment of HK$600,000 for a period of 3 years.

COMPETING BUSINESS

For FY2018, none of the Directors, controlling shareholder or their respective close associates (as defined in the GEM Listing Rules) has any interests in a business that competes or may 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 FY2018. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the FY2018.

CORPORATE GOVERNANCE CODE

During the FY2018, the Company has complied with the 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.

Code Provision A.2.7. stipulates that the chairman should at least annually hold a meeting with the independent non-executive directors without the other directors present.

During the FY2018, despite a formal meeting could not be arranged between the Chairman of the Board and the independent non-executive Directors without the other Directors present due to their tight schedules, the independent non-executive Directors may communicate with the Chairman of the Board directly at any time to voice their opinions and share their views on the Company's affairs. The Company considers that there are sufficient channels for discussion of the Company's affairs between the Chairman and the independent non-executive Directors.

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 FY2018.

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 Director who acted as Director during the reporting period) has confirmed that during his/her tenure as Director for FY2018, 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 Friday, 3 May 2019 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, 29 April 2019 to Friday, 3 May 2019, both days inclusive, in order to determine the eligibility of shareholders to attend and vote at the AGM, during which period no share transfers will be registered. To be eligible to attend and vote at the AGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's 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, 26 April 2019.

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 FY2018, members of the Audit Committee were Mr. Li Robin Kit Ling (chairman), Mr. Yeung Wai Hung Peter and Mr. Miao Benny Hua-ben, all of whom are independent non-executive Directors. The Audit Committee held four meetings during the reporting period.

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 quarterly, interim and annual results of the financial year of 2018, including the consolidated statement of financial position, consolidated statement of comprehensive income and consolidated statement of changes in equity and related notes thereto for FY2018 have been reviewed by the Audit Committee.

FIGURES IN THIS ANNOUNCEMENT AGREED BY AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and consolidated statement of changes in equity and the related notes thereto for FY2018 as set out in this announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

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 FY2018, 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 and Mr. Cheng Michael Ichiang (each an executive Director). The Remuneration Committee held one meeting 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 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, with regard to the board diversity policy.

During FY2018, members of the Nomination Committee were Mr. Miao Benny Hua-ben (chairman), Mr. Yeung Wai Hung Peter, Mr. Li Robin Kit Ling (each an independent non-executive Director) and Mr. Cheng Michael Ichiang (an executive Director). The Nomination Committee held one meeting 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 19 April 2018 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, 22 March 2019

As at the date of this announcement, 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.

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of The Stock Exchange of Hong Kong Limited 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.