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)

THIRD QUARTERLY RESULTS ANNOUNCEMENT FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2019

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.

*This announcement, for which the directors ("**Directors**" and each a "**Director**") of CircuTech International Holdings Limited (the "**Company**") collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the "**GEM Listing Rules**") for the purpose of giving information with regard to the Company and its subsidiaries (collectively the "**Group**"). The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.*

HIGHLIGHTS

- The Group recorded a turnover of approximately HK$215.1 million for the nine months ended 30 September 2019, representing a decrease of approximately HK$40.5 million or approximately 15.8% when compared with the same period last year.

- The gross profit margin of the Group increased to approximately 7.0% for the nine months ended 30 September 2019 (nine months ended 30 September 2018: approximately 4.8%).

- The Group recorded a net profit attributable to the owners of the Company of approximately HK$0.3 million for the nine months ended 30 September 2019, as compared to a net loss of approximately HK$7.7 million for the nine months ended 30 September 2018.

- The board of Directors (the "**Board**") does not recommend the payment of a dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

QUARTERLY RESULTS

The Board hereby announces the unaudited condensed consolidated quarterly results of the Group for the nine months ended 30 September 2019, together with the comparative unaudited figures for the corresponding period in 2018, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended 30 September		**Nine months ended 30 September**	
		2019	2018	**2019**	2018
	Notes	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Revenue	*4*	**102,125**	65,520	**215,124**	255,620
Cost of sales		**(96,572)**	(61,413)	**(200,118)**	(243,350)
Gross profit		**5,553**	4,107	**15,006**	12,270
Other income		**722**	39	**2,285**	129
Selling and distribution costs		**(1,345)**	(1,274)	**(4,040)**	(3,897)
Administrative expenses		**(4,126)**	(5,468)	**(11,613)**	(15,994)
Research and development expenditure		**(411)**	(381)	**(1,185)**	(1,163)
Finance costs		**(17)**	–	**(62)**	–
Operating profit/(loss)		**376**	(2,977)	**391**	(8,655)
Share of net profit of an associate accounted for using the equity method		**31**	252	**213**	252
Profit/(loss) before income tax	*6*	**407**	(2,725)	**604**	(8,403)
Income tax (expenses)/credit	*7*	**(315)**	(62)	**(345)**	664
Profit/(loss) for the period		**92**	(2,787)	**259**	(7,739)

	Notes	Three months ended 30 September		Nine months ended 30 September	
		2019	2018	**2019**	2018
		HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
		(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Other comprehensive income for the period:					
Items that may be reclassified to profit or loss:					
Exchange differences arising on translating foreign operations		**(119)**	828	**(424)**	(1,308)
Other comprehensive income for the period		**(119)**	828	**(424)**	(1,308)
Total comprehensive income for the period		**(27)**	(1,959)	**(165)**	(9,047)
Profit/(loss) for the period attributable to:					
– Owners of the Company		**92**	(2,789)	**259**	(7,736)
– Non-controlling interests		**–**	2	**–**	(3)
		92	(2,787)	**259**	(7,739)
Total comprehensive income for the period attributable to:					
– Owners of the Company		**(43)**	(1,969)	**(187)**	(9,052)
– Non-controlling interests		**16**	10	**22**	5
		(27)	(1,959)	**(165)**	(9,047)
Earnings/(loss) per share attributable to owners of the Company *(HK cents per share)*	*9*				
– Basic and diluted		**0.39**	(11.90)	**1.11**	(33.01)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK$'000	Share premium HK$'000	Translation reserve HK$'000	Special reserve HK$'000	Financial asset at FVOCI HK$'000	Accumulated losses HK$'000	Total HK$'000	Non-controlling interests HK$'000	Total HK$'000
Balance at 1 January 2019 (audited)	4,687	183,006	(1,731)	14,990	30	(68,889)	132,093	(491)	131,602
Change in accounting policy *(Note 3)*	–	–	–	–	–	(48)	(48)	–	(48)
Balance at 1 January 2019 (restated)	4,687	183,006	(1,731)	14,990	30	(68,937)	132,045	(491)	131,554
Profit for the period	–	–	–	–	–	259	259	–	259
Other comprehensive income for the period ended 30 September 2019									
Exchange differences arising on translating foreign operations	–	–	(446)	–	–	–	(446)	22	(424)
Total comprehensive income for the period	–	–	(446)	–	–	259	(187)	22	(165)
Balance at 30 September 2019 (unaudited)	4,687	183,006	(2,177)	14,990	30	(68,678)	131,858	(469)	131,389
Balance at 1 January 2018 (audited)	4,687	183,006	250	14,990	–	(54,288)	148,645	(504)	148,141
Loss for the period	–	–	–	–	–	(7,736)	(7,736)	(3)	(7,739)
Other comprehensive income for the period ended 30 September 2018									
Exchange differences arising on translating foreign operations	–	–	(1,316)	–	–	–	(1,316)	8	(1,308)
Total comprehensive income for the period	–	–	(1,316)	–	–	(7,736)	(9,052)	5	(9,047)
Balance at 30 September 2018 (unaudited)	4,687	183,006	(1,066)	14,990	–	(62,024)	139,593	(499)	139,094

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION

1. GENERAL INFORMATION

CircuTech International Holdings Limited (the "**Company**") and its subsidiaries (together, the "**Group**") is principally engaged in the sales and distribution of IT products and the provision of repairs and other service support of IT products.

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

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

The unaudited condensed consolidated financial information has not been audited by the Company's auditors.

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

2. BASIS OF PREPARATION

This unaudited condensed consolidated financial information for the nine months ended 30 September 2019 has been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRS**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable requirements of the GEM Listing Rules. This unaudited condensed consolidated financial information does not include all information and disclosures as required in the annual financial statements.

3. ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of this unaudited condensed consolidated financial information are consistent with those of the annual financial statements for the year ended 31 December 2018, except for the adoption of amendments to standards, interpretation and new standard effective for the financial year ending 31 December 2019 and policies described below.

3.1 Amended standards and interpretation adopted by the Group

The following amended standards and interpretation are mandatory for the first time for the financial year beginning on 1 January 2019.

Annual improvements project (amendments)	Annual improvements 2015-2017 cycle
HKAS 19 (amendments)	Plan amendment, curtailment or settlement
HKAS 28 (amendments)	Long-term interests in associates and joint ventures
HKFRS 9 (amendments)	Prepayment features with negative compensation
HK(IFRIC)-Int 23	Uncertainty over income tax treatments

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

3.2 New standards adopted by the Group

The following new standard is mandatory for the first time for the financial year beginning on 1 January 2019.

HKFRS 16	Leases

The Group had to change its accounting policies as a result of adopting the above new standard. The impact of the adoption of the standard and new accounting policies are set out below.

On adoption of HKFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principle of HKAS 17 "Leases". These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate. Lease payments include the following:

– fixed payments (including in-substance fixed payments), less any lease incentives receivable; and

– variable lease payments that are based on an index or a rate.

The Group measured the rights-of-use assets as if HKFRS 16 had always been applied by using the incremental borrowing rate at initial application date. The opening balances of lease liabilities and the corresponding right-of-use assets have been adjusted as at 1 January 2019.

Each lease payment is allocated between the principal repayment of lease liability and finance cost. The finance cost is charged to the unaudited condensed consolidated statement of comprehensive income over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the lease liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In accordance with the transition provisions in HKFRS 16, the Group has adopted HKFRS 16 retrospectively without restatement, with the cumulative effect of initial application recognised as an adjustment to the opening balance of accumulated losses as at 1 January 2019. Comparative information has not been restated. In addition, the Group elected the practical expedient for not applying the new accounting model to short-term leases and leases of low-value assets. Furthermore, the Group has used the practical expedient to account for leases for which the lease term ends within 12 months from the date of initial application as short-term leases.

The adoption of HKFRS 16 from 1 January 2019 resulted in changes in accounting policies and adjustments to the amounts recognised in the unaudited condensed consolidated financial information. In accordance with the transition provisions in HKFRS 16, comparative figures have not been restated.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	31 December 2018	**HKFRS 16**	**1 January 2019**
	HK$'000	*HK$'000*	*HK$'000*
	(audited)	(unaudited)	(unaudited)
Condensed consolidated statement of financial position (extract)			
Non-current assets			
Right-of-use assets	–	2,013	2,013
Current liabilities			
Lease liabilities	–	(1,348)	(1,348)
Non-current liabilities			
Lease liabilities	–	(713)	(713)
Equity			
Accumulated losses	(68,889)	(48)	(68,937)

The amount by each financial statements line item affected in the current period and period to date by the application of HKFRS 16 as compared to HKAS 17 that was previously in effect before the adoption of HKFRS 16 is as follows:

	For the nine months ended 30 September 2019		
	Amounts without the adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amounts as reported**
	HK$'000	***HK$'000***	***HK$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**
Condensed consolidated statement of comprehensive income (extract)			
Administrative expenses			
Operating lease charges	**(1,267)**	**1,082**	**(185)**
Depreciation	**(1,776)**	**(1,015)**	**(2,791)**
Finance costs	**–**	**(62)**	**(62)**
Profit for the period attributable to:			
– Owners of the Company	**254**	**5**	**259**

	As at 30 September 2019		
	Amounts without the adoption of HKFRS 16	**Effects of the adoption of HKFRS 16**	**Amounts as reported**
	HK$'000	***HK$'000***	***HK$'000***
	(unaudited)	**(unaudited)**	**(unaudited)**
Condensed consolidated statement of financial position (extract)			
Non-current assets			
Right-of-use assets	**–**	**1,067**	**1,067**
Current liabilities			
Lease liabilities	**–**	**(1,076)**	**(1,076)**
Non-current liabilities			
Lease liabilities	**–**	**(34)**	**(34)**
Equity			
Accumulated losses	**(68,635)**	**(43)**	**(68,678)**

4. REVENUE

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Sales and distribution of IT products	**102,028**	65,435	**214,857**	255,353
Repairs and service support	**97**	85	**267**	267
	102,125	65,520	**215,124**	255,620

5. SEGMENT INFORMATION

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

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

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

During the nine months ended 30 September 2019 and 2018, the Group's operating and reporting segments are as follows:

Sales and distribution of IT products	–	Design, manufacturing and marketing of video surveillance systems and distribution of third party IT products
Repairs and service support	–	Provision of repairs, maintenance and other service support for electronic products

Segment revenue and results

The segment information provided to the Executive Directors for the reportable segments for the nine months ended 30 September 2019 and 2018 is as follows:

Nine months ended 30 September 2019 (unaudited)

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	214,857	267	215,124
Time of revenue recognition			
– At a point in time	214,857	–	214,857
– Over time	–	267	267
Segment profit	5,345	40	5,385
Other income			2,285
Unallocated corporate expenses *(note)*			(7,217)
Finance costs			(62)
Operating profit			391
Share of net profit of an associate accounted for using the equity method			213
Profit before income tax			604

Three months ended 30 September 2019 (unaudited)

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	**102,028**	**97**	**102,125**
Time of revenue recognition			
– At a point in time	**102,028**	**–**	**102,028**
– Over time	**–**	**97**	**97**
Segment profit	**2,086**	**7**	**2,093**
Other income			**722**
Unallocated corporate expenses *(note)*			**(2,422)**
Finance costs			**(17)**
Operating profit			**376**
Share of net profit of an associate accounted for using the equity method			**31**
Profit before income tax			**407**

Nine months ended 30 September 2018 (unaudited)

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	255,353	267	255,620
Time of revenue recognition			
– At a point in time	255,353	–	255,353
– Over time	–	267	267
Segment profit	878	123	1,001
Other income			112
Unallocated corporate expenses *(note)*			(9,768)
Operating loss			(8,655)
Share of net profit of an associate accounted for using the equity method			252
Loss before income tax			(8,403)

Three months ended 30 September 2018 (unaudited)

	Sales and distribution of IT products *HK$'000*	Repairs and service support *HK$'000*	Total *HK$'000*
Revenue			
External sales and segment revenue	65,435	85	65,520
Time of revenue recognition			
– At a point in time	65,435	–	65,435
– Over time	–	85	85
Segment profit	588	46	634
Other income			85
Unallocated corporate expenses *(note)*			(3,696)
Operating loss			(2,977)
Share of net profit of an associate accounted for using the equity method			252
Loss before income tax			(2,725)

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

6. PROFIT/(LOSS) BEFORE INCOME TAX

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Depreciation of property, plant and equipment	**593**	588	**1,776**	1,776
Depreciation of right-of-use assets	**352**	–	**1,015**	–
Interest expenses on lease liabilities	**17**	–	**62**	–
Interest income	**(100)**	(85)	**(425)**	(112)
Loss on disposal of property, plant and equipment	**–**	45	**–**	45
Net foreign exchange loss	**319**	273	**309**	1,683
Net provision/(net reversal of provision) of inventories (included in cost of sales)	**(919)**	1,100	**(609)**	5,995
Reversal of provision of trade receivables	**–**	(101)	**–**	(17)
Rental income	**(600)**	–	**(1,800)**	–

7. INCOME TAX (EXPENSES)/CREDIT

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2018: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Current income tax charge				
– Oversea taxation	**(220)**	1	**(250)**	(960)
– Hong Kong	**(95)**	(63)	**(95)**	(63)
Deferred income tax	**–**	–	**–**	1,687
Income tax (expenses)/credit	**(315)**	(62)	**(345)**	664

8. DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

9. EARNINGS/(LOSS) PER SHARE

(a) Basic

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

	Three months ended 30 September		Nine months ended 30 September	
	2019	2018	**2019**	2018
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Profit/(loss) for the period attributable to owners of the Company	**92**	(2,789)	**259**	(7,736)
Weighted average number of ordinary shares *(thousands)*	**23,434**	23,434	**23,434**	23,434
Basic earnings/(loss) per share *(HK cents per share)*	**0.39**	(11.90)	**1.11**	(33.01)

(b) Diluted

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

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

The Board does not recommend the payment of a dividend for the nine months ended 30 September 2019 (nine months ended 30 September 2018: Nil).

BUSINESS REVIEW

Sales and distribution of IT products

The Group offers a comprehensive and broad range of video surveillance products which have unique technologies, including five layers hacker resistance and best-in-class video compression technology sold under its own brand name. These technologies are complementary to one another, and provide customers with dedicated cost-efficient solutions. The Group directly and indirectly competes with large global vendors in form of pricing, information technology and range of services. Nevertheless, the Group is committed to continuously developing new technologies for targeted market in order to strengthen its market position and to improve profitability.

Since 2017, the Group addressed the commoditisation of video surveillance systems by broadening its products offering through distribution of third party IT products. The Group signed an agreement with a renowned IT brand to distribute third party IT products through its well-established wholesale network covering the North America, Asia, Europe, Middle East and Africa. The third party IT products are refurbished and end-of-life units, thus the Company extends the life of these products in the post-sales circular economy. In addition, the Group developed its online trade-in platform and cooperated with a renowned IT brand as its trade-in partner for certain smart devices. The Group's advantages to compete against other global distributors are management's expertise and proven track record, together with being a member of the Foxconn Technology Group that has strong business bond with this renowned IT brand. The market price of IT products fluctuates quickly due to new products introduction and the volatility of commodity prices. The Group will continue to manage its tied up working capital by reducing the inventory turnover days and mitigating the inventory risk, with an aim to shorten the cash conversion cycle.

Revenue from the sales and distribution of products is recognised when control of the products has transferred, being at the point the products are delivered to the customer's premise and the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

During the period, the Group continued to review and re-evaluate its business model, with an aim to improve efficiency, and achieve a higher profit margin in the long run. The side effect of this adjustment in strategies caused a drop in the business volume of third party IT products being distributed by the Group. The Group will continue to closely monitor the market situations and make necessary adjustments to its strategies and operations.

Provision of repairs and other service support of IT products

The Group provides full range of after sales maintenance for video surveillance products carrying its own brand name. Smart device applications were also developed by the Group to provide remote control and monitoring of the video surveillance products. The Group is currently approaching a number of target customers and their service centers with an aim to provide service support business of electronic products.

For sales of services, revenue is recognised over time in the accounting period in which services are rendered to customers. For fixed-price contracts of service support, revenue is recognised based on the actual services provided to the end of the reporting period as a proportion of the total services to be provided because customers receive and use the benefits simultaneously.

FINANCIAL REVIEW

Revenue

The Group's total revenue amounted to approximately HK$215.1 million for the nine months ended 30 September 2019, representing a decrease of approximately 15.8% as compared to that of approximately HK$255.6 million for the nine months ended 30 September 2018, attributable to the adjustment in strategies in the sales and distribution segment as aforesaid.

Segment revenue by business line

	Nine months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
Sales and distribution of IT products	**214,857**	255,353
Repairs and service support	**267**	267
	215,124	255,620

For the nine months ended 30 September 2019, the revenue from sales and distribution of IT products continued to be the largest source of income of the Group which accounted for approximately 99.9% of the revenue of the Group. Revenue from sales and distribution of IT products consists of video surveillance products carrying the Group's own brand name and third party IT products. Such decrease in revenue is mainly driven by the Group's review and re-evaluation of its business model to achieve a higher profit margin in the long run.

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

Segment revenue by geographical location

	Nine months ended 30 September	
	2019	2018
	HK$'000	*HK$'000*
	(unaudited)	(unaudited)
North America	**80,666**	180,295
Europe	**49,554**	41,702
Asia	**84,077**	32,234
Africa	**827**	1,315
Other	**–**	74
	215,124	255,620

For the nine months ended 30 September 2019, the Asia market overtook North America and contributed approximately 39.1% (nine months ended 30 September 2018: 12.6%) of the Group's revenue. North America contributed approximately 37.5% (nine months ended 30 September 2018: 70.5%) of the Group's revenue. Europe contributed approximately 23.0% (nine months ended 30 September 2018: 16.3%) of the Group's revenue. The change in the composition of the revenue was due to the change of product mix driven by the demand and supply of IT products in each of the geographical location.

Cost of sales

A major component of the cost of sales was the cost of inventories. In line with the decrease in business volume, the cost of sales for the nine months ended 30 September 2019 decreased to approximately HK$200.1 million, as compared to that of approximately HK$243.4 million for the corresponding period in 2018. There was a reversal of net provision of inventories (included in the cost of sales) amounted to approximately HK$0.6 million as compared to a net provision of approximately HK$6.0 million for the same period in 2018 to account for the decrease in slow-moving inventories.

Gross profit and gross profit margin

Gross profit increased by approximately HK$2.7 million for the nine months ended 30 September 2019 as compared to that of the nine months ended 30 September 2018, attributable to the adjustment in strategies as aforesaid. The overall gross profit margin increased to approximately 7.0% for the nine months ended 30 September 2019 due to the Group's recent efforts in fine-tuning its strategies and re-evaluating its business model, client and product mix so as to achieve a higher profit margin in the long run.

Selling and distribution expenses

Selling and distribution expenses slightly increased to approximately HK$4.0 million for the nine months ended 30 September 2019. A major component of the selling and distribution expenses was staff costs and commission and warehousing charges.

Administrative expenses

Administrative expenses decreased by approximately 27.4% to approximately HK$11.6 million for the nine months ended 30 September 2019. The Board considers that the improvement is mainly attributable to decrease in professional fee, strengthened control over operations which streamlined operating procedures and increased the cost efficiency to achieve better performance for the continuous development of the Group.

Net profit/loss for the period

The Group recorded a net profit of approximately HK$0.3 million and net loss of approximately HK$7.7 million for the nine months ended 30 September 2019 and 2018, respectively. Approximately HK$0.1 million of the net profit for the nine months ended 30 September 2019 was contributed by the net profit for the three months ended 30 September 2019 due to strengthened control over operations. The Board considers that the increase in profitability in the third quarter is generally in line with and comparable with the financial figures of the Group for the six months ended 30 June 2019 as disclosed in the interim report of the Company. The Group recorded a net profit of approximately HK$0.2 million for the six months ended 30 June 2019.

BUSINESS OUTLOOK

The Group expects a strong demand for its IT products in the final quarter of the year though the IT product distribution business continues to be very competitive. The management is currently conducting a strategic review on its business operations and may adjust its business portfolio in a bid to increase customer base and generate better and more stable returns to the shareholders. The Group may allocate more resources to ramp up the repair and service support business portfolio in a bid to gain better recurring returns to the shareholders. This might entail providing repair services of electronic products for renowned IT brands and their service centers.

The Group will continuously strengthen the management team, expand the international footprint and broaden its 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 its capabilities.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As of 30 September 2019, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "**SFO**")) which were required to be disclosed under Divisions 7 and 8 of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under section 352 of the SFO, or which were required under Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

At no time during the nine months ended 30 September 2019 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate and none of the Directors, their spouses or children under the age of eighteen, had any rights to subscribe for securities of the Company, or had exercised any such rights during the nine months ended 30 September 2019.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTERESTS IN SHARES

As of 30 September 2019, so far as is known to the Directors and chief executive of the Company, the interests and short positions of the persons or corporations (other than Directors and chief executives of the Company) in the shares and underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept under section 336 of the SFO, were as follows:

Long position in shares of the Company ("Shares")

Name of shareholders	**Capacity**	**Number of Shares held/ interested**	**Percentage of the issued share capital of the Company** *(approximate)*
Foxconn (Far East) Limited	Beneficial owner	11,853,524	50.58%
Hon Hai Precision Industry Co., Ltd.	Interest of a controlled corporation	11,853,524	50.58%

Note:

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

Save as disclosed above, as of 30 September 2019, the Company had not been notified by any other person (other than a Director or chief executive of the Company) who had interests or short positions in the shares and the underlying shares of the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept under section 336 of the SFO.

COMPETITION AND CONFLICT OF INTERESTS

During the nine months ended 30 September 2019, the Directors were not aware of any business or interest of the Directors, controlling shareholders of the Company (as defined in the GEM Listing Rules) and their respective close associates that competes or may compete with the business of the Group or any other conflicts of interests which any such person has or may have with the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the nine months ended 30 September 2019, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

AUDIT COMMITTEE

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

The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the nine months ended 30 September 2019, this announcement and the quarterly report, and has provided advice and comments thereon.

By order of the Board
CircuTech International Holdings Limited
Mr. Hong Sung-Tai
Chairman

Hong Kong, 6 November 2019

As at the date of this announcement, the executive Directors are Mr. Hong Sung-Tai, Ms. Chen Ching-Hsuan, Mr. Tsai Biing-Hann and Mr. Han Chun-Wei; the non-executive Director is Mr. Kao Chao Yang; 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 will remain at the "Latest Company Announcements" page of 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.