

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

**CONTINUING CONNECTED TRANSACTION
IN RELATION TO SERVICE FRAMEWORK AGREEMENT**

THE SERVICE TRANSACTION

After trading hours of the Stock Exchange on 14 January 2020, the Company entered into the Service Framework Agreement with Fuhongjie (an indirect wholly-owned subsidiary of Hon Hai), pursuant to which, subject to the fulfillment of the condition precedent to the Service Framework Agreement, Fuhongjie agreed to provide the Services to the Group during the Service Term from the Effective Date until 31 December 2022.

The Service Caps for FY2020, FY2021 and FY2022 will be HK\$55,000,000, HK\$61,000,000 and HK\$67,000,000, respectively.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Hon Hai is a controlling shareholder of the Company, indirectly holding 50.58% of the issued Shares. Fuhongjie is an indirect wholly-owned subsidiary of Hon Hai. Accordingly, Fuhongjie is a connected person of the Company and the Service Transaction constitutes continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As all of the applicable percentage ratios in respect of the Service Caps are higher than 5% and the Service Caps are more than HK\$10,000,000 on an annual basis, the Service Transaction is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will convene an EGM, at which an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Service Transaction (including the Service Framework Agreement and the Service Caps). Hon Hai holding Shares in the Company is required to abstain from voting on such resolution at the EGM.

The Independent Board Committee (comprising all independent non-executive Directors) has been formed to advise the Independent Shareholders on the Service Transaction. Gram Capital has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Service Transaction (including the Service Framework Agreement and the Service Caps).

A circular containing, among other things, (i) details of the Service Transaction (including the Service Framework Agreement and the Service Caps); (ii) a letter from Gram Capital containing its advice on the terms of the Service Transaction (including the Service Framework Agreement and the Service Caps); (iii) the recommendation of the Independent Board Committee; and (iv) a notice of the EGM, will be dispatched to the Shareholders on or before 6 February 2020.

After trading hours of the Stock Exchange on 14 January 2020, the Company entered into the Service Framework Agreement with Fuhongjie (an indirect wholly-owned subsidiary of Hon Hai), pursuant to which, subject to the fulfillment of the condition precedent to the Service Framework Agreement, Fuhongjie agreed to provide the Services to the Group during the Service Term from the Effective Date until 31 December 2022.

THE SERVICE FRAMEWORK AGREEMENT

Date

14 January 2020

Parties

The Company; and

Shenzhen Fuhongjie Technology Service Limited Company, being an indirect wholly-owned subsidiary of Hon Hai.

Term

From the Effective Date to 31 December 2022 (i.e. the Service Term).

Subject matters

Fuhongjie agreed to provide the Services to the Group during the Service Term. The Company may place orders with Fuhongjie for the Services.

Condition precedent

The Service Framework Agreement is conditional upon the Independent Shareholders approving the Service Framework Agreement, the Service Transaction and the Service Caps at the EGM and shall take effect on the date on which the abovementioned condition is satisfied. If the approval is not granted on or before 31 March 2020 (or such later date as may be set by mutual agreement between the Company and Fuhongjie), the Service Framework Agreement will lapse automatically.

Pricing basis

The service fee to be paid by the Company to Fuhongjie will be subject to arm's length negotiations between the Company and Fuhongjie; and shall not be higher than the service fee offered by Independent Third Parties.

Internal control

When determining the service fee, the Company's finance department will review the market price and invite at least 3 sub-contractors (including Fuhongjie) for quotation.

The Company's finance department will compare the quotations provided by sub-contractors based on their fee amount, terms and conditions.

The quotations comparison will be reviewed by the Board. After review, the Board will select the sub-contractor and further negotiate/accept the service fee under its quotation.

Service Caps

The Service Caps for the period from the Effective Date to 31 December 2022 are set out below:

	From the Effective Date to 31 December	2020	For FY2021	For FY2022
		<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Service Caps		55,000,000	61,000,000	67,000,000

Note: There was no previous Service Transaction between the Group and Fuhongjie.

Set out below is the basis for determining the Service Caps:

- (i) The Company obtained order indication in FY2020 (in terms of maintenance units) from potential customer who requires the Services. Accordingly, the Company estimated its demand for the Services to be provided by Fuhongjie (as a sub-contractor) in FY2020.
- (ii) The Company estimated the service fee per maintenance unit based on preliminary quotations obtained from various sub-contractors.
- (iii) Based on factors (i) & (ii) above, the Company estimated its demand for the Services (in monetary term) for FY2020 to be approximately HK\$47.68 million.
- (iv) The Company incorporated 5% demand buffer and 10% exchange rate buffer (in light of the recent fluctuation in the exchange rate between RMB and HK\$). Accordingly the Service Cap for FY2020 is required to be approximately HK\$54.83 million and set at HK\$55.00 million after rounding up.
- (v) The Company applied 10% possible growth on its demand for the Services for each of FY2021 and FY2022. Accordingly, the Service Caps for FY2021 and FY2022 are required to be approximately HK\$60.32 million and approximately HK\$66.35 million respectively and set at HK\$61.00 million and HK\$67.00 million respectively after rounding up.

The Shareholders should note that the Service Caps represent the best estimate by the Directors of the amount of the relevant transactions based on the information currently available. Such caps bear no direct relationship to, nor should be taken to have any direct bearing to, the Group's financial or potential financial performance.

REASONS FOR THE SERVICE TRANSACTION

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

The Group offers a comprehensive and broad range of video surveillance products carrying its own name and distributes third parties IT products.

The Group provides full range of after-sale 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.

As an extension of the Group's repair and services support segment, the Group is liaising with potential customer for provision of the Services in order to ramp up the Group's repair and services support business portfolio and aim to gain better recurring returns to the Shareholders. At the initial stage of this extended business, the Group will engage sub-contractors to provide the Services. The Group will also consider setting up its own maintenance center after considering relevant cost, expected return and efficiency in providing the Services. The Board considers that the Service Transaction can support the development of the aforesaid extended business.

The Board (excluding the independent non-executive Directors who will form their views after considering the advice from Gram Capital) is of the view that the terms of the Service Transaction (including the Service Framework Agreement and the Service Caps) are fair and reasonable and on normal commercial terms, and in the interests of the Company and the Shareholders as a whole.

INFORMATION OF THE PARTIES

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

Fuhongjie is an indirect wholly-owned subsidiary of Hon Hai and principally engaged in manufacturing of IT products.

GEM LISTING RULES IMPLICATIONS

As at the date of this announcement, Hon Hai is a controlling shareholder of the Company, indirectly holding 50.58% of the issued Shares. Fuhongjie is an indirect wholly-owned subsidiary of Hon Hai. Accordingly, Fuhongjie is a connected person of the Company and the Service Transaction constitutes continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As all of the applicable percentage ratios in respect of the Service Caps are higher than 5% and the Service Caps are more than HK\$10,000,000 on an annual basis, the Service Transaction is subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 20 of the GEM Listing Rules.

The Company will convene an EGM, at which an ordinary resolution will be proposed for the Independent Shareholders to consider and, if thought fit, approve the Service Transaction (including the Service Framework Agreement and the Service Caps). Hon Hai holding Shares in the Company is required to abstain from voting on such resolution at the EGM.

The Independent Board Committee (comprising all independent non-executive Directors) has been formed to advise the Independent Shareholders on the Service Transaction. Gram Capital has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders on the terms of the Service Transaction (including the Service Framework Agreement and the Service Caps).

A circular containing, among other things, (i) details of the Service Transaction (including the Service Framework Agreement and the Service Caps); (ii) a letter from Gram Capital containing its advice on the terms of the Service Transaction (including the Service Framework Agreement and the Service Caps); (iii) the recommendation of the Independent Board Committee; and (iv) a notice of the EGM, will be dispatched to the Shareholders on or before 6 February 2020.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“Board”	the board of Directors
“Company”	CircuTech International Holdings Limited (stock code: 8051), a company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on GEM
“connected person(s)”	has the meaning ascribed thereto under the GEM Listing Rules and the word “connected” shall be construed accordingly
“controlling shareholder”	has the meaning ascribed thereto under the GEM Listing Rules

“Directors”	the directors of the Company
“Effective Date”	the date on which the Service Framework Agreement becoming effective
“EGM”	the extraordinary general meeting to be convened by the Company to consider and, if thought fit, approve the Service Transaction and the Service Caps
“Fuhongjie”	深圳市富鴻杰科技服務有限公司 (Shenzhen Fuhongjie Technology Service Limited Company*), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of Hon Hai
“FY”	the financial year ended or ending 31 December
“GEM”	GEM of the Stock Exchange
“GEM Listing Rules”	the Rules Governing the Listing of Securities on GEM
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong
“Hon Hai”	Hon Hai Precision Industry Co., Ltd. (鴻海精密工業股份有限公司), a company incorporated in Taiwan with limited liability and the shares of which are listed on the Taiwan Stock Exchange Corporation
“Hon Hai Group”	Hon Hai, its subsidiaries and associates (excluding the Group)
“Independent Board Committee”	an independent committee of the Board, comprising all the independent non-executive Directors, which has been established by the Board to advise the Independent Shareholders on the Service Transaction

“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Future Ordinance (Chapter 571 of the Laws of Hong Kong), appointed as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders in respect of the Service Transaction and the Service Caps
“Independent Shareholders”	Shareholders other than any member of the Hon Hai Group
“Independent Third Party(ies)”	third party(ies) and their ultimate beneficial owner(s) (if applicable) which are independent of the Company and its connected persons
“percentage ratios”	has the meaning ascribed to it under Rule 19.07 of the GEM Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Services”	maintenance and value-added services for mobile phone, mobile phone display, and Bluetooth earpieces, including checking, maintenance, assembly, testing and packaging
“Service Framework Agreement”	the service framework agreement entered into between the Company and Fuhongjie on 14 January 2020 in respect of the Service Transaction for the Service Term
“Service Cap(s)”	the proposed annual cap(s) in respect of the Service Transaction
“Service Term”	from the Effective Date to 31 December 2022
“Service Transaction”	the provision of the Services by Fuhongjie to the Group contemplated under the Service Framework Agreement
“Share(s)”	ordinary share(s) of the Company

“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	percentage or per centum

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

Hong Kong, 14 January 2020

As at the date of this announcement, the executive Directors are Mr. Hong Sung-Tai, Mr. Tsai Biing-Hann, Ms. Chen Ching-Hsuan 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

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

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

* For identification purpose only