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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
SALE FRAMEWORK AGREEMENT**

THE SALE TRANSACTION

After trading hours of the Stock Exchange on 3 July 2020, the Company entered into the Sale Framework Agreement with Hon Hai (the controlling shareholder of the Company), pursuant to which, subject to the satisfaction of the condition precedent, the Group may sell the Products to Hon Hai Group, and Hon Hai Group may purchase the Products from the Group, during the Sale Term (commencing from the date on which the condition precedent is satisfied and expiring on 31 December 2022) on the terms and conditions set out in the Sale Framework Agreement.

The proposed Sale Caps for each of FY2020, FY2021 and FY2022 will be HK\$8,900,000, HK\$9,400,000 and HK\$9,800,000 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. Hon Hai is a connected person of the Company and the Sale Transaction constitutes continuing connected transaction of the Company under Chapter 20 of the GEM Listing Rules.

As the highest applicable percentage ratios in respect of the Sale Caps are more than 5% but less than 25% and the Sale Caps are less than HK\$10,000,000 on an annual basis, the Sale Transaction is only subject to the reporting, annual review and announcement requirements but is exempt from the Independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

The Board announces that, on 3 July 2020 (after trading hours), the Company entered into the Sale Framework Agreement with Hon Hai in respect of the Sale Transaction for the Sale Term.

THE SALE FRAMEWORK AGREEMENT

Date

3 July 2020

Parties

The Company; and

Hon Hai Precision Industry Co., Ltd..

Term

From the date on which the condition precedent is satisfied to 31 December 2022 (i.e. the Sale Term).

Subject matter

Subject to the satisfaction of the condition precedent, the Group may sell and Hon Hai Group may purchase the Products during the Sale Term on the terms and conditions set out in the Sale Framework Agreement. Leveraging on the Group's network and experience in the distribution of IT products, Hon Hai Group may from time to time source the Products from the Group in response to their needs by placing purchase orders with the Group, which are subject to the Group's acceptance.

Condition precedent

The Sale Framework Agreement shall only take effect subject to the Company having complied with all necessary disclosure and/or independent shareholders' approval requirement (if necessary) pursuant to the GEM Listing Rules in connection with the Sale Framework Agreement. If the above condition precedent is not satisfied by 31 July 2020 or such later date as the parties agree in writing, the Sale Framework Agreement shall terminate automatically with no liability on both parties.

As the highest applicable percentage ratios in respect of the Sale Caps are more than 5% but less than 25% and the Sale Caps are less than HK\$10,000,000 on an annual basis, the Sale Transaction is only subject to the reporting, annual review and announcement requirements but is exempt from the Independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

The condition precedent is satisfied following the publication of this announcement.

Pricing basis

The prices of the Products shall be set out in the price list to be updated by the Group from time to time. The prices of the Products set out in the price list shall be determined by the Group with reference to the Group's purchase cost of the relevant Products and a percentage mark-up based on the prevailing market demand for the Products. In ensuring the fairness and reasonableness of the pricing of Products, the same price list will be used for transactions between the Group and Hon Hai Group and between the Group and Independent Third Parties.

If Hon Hai Group requests certain Products which are not included in the price list, the Group may source the same for Hon Hai Group provided that Hon Hai Group shall also pay the Group additional service fees as agreed by the parties in advance.

Internal control

Pricing of the Products shall be approved and monitored by the finance department of the Company.

The final determined price in the price list shall be approved by the finance department of the Company. The finance department will compare the prices offered by the Group to Hon Hai Group and to Independent Third Party (if available) to ensure that the terms of transactions with Hon Hai Group are no more favourable than those between the Group and Independent Third Party(ies).

In the event that there is no Independent Third Party price reference (as certain Products may only be demanded by Hon Hai Group), the Company will consider the gross profit margin of the purchase order concerned with reference to the Group's historical gross profit margin.

SALE CAPS

The Sale Caps for the three years ending 31 December 2022 are set out below:

	For FY2020	For FY2021	For FY2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Sale Caps	8,900,000	9,400,000	9,800,000

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

- (i) The Company obtained purchase indication from Hon Hai in terms of Products units for FY2020.

- (ii) The Company estimated selling price of the Products based on market selling prices of similar products offered by various suppliers.
- (iii) Based on factors (i) & (ii) above, the Company estimated the Products demand (in monetary) from Hon Hai for FY2020 to be approximately HK\$7.72 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 Sale Cap for FY2020 is required to be approximately HK\$8.88 million and set at HK\$8.90 million after rounding up.
- (v) The Company applied 5% possible growth on the Products demand from Hon Hai for each of FY2021 and FY2022. Accordingly, the Sale Caps for FY2021 and FY2022 are required to be approximately HK\$9.32 million and approximately HK\$9.79 million respectively and set at HK\$9.40 million and approximately HK\$9.80 million respectively after rounding up.

The Shareholders should note that the proposed Sale 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 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.

As an extension of the Group's sale and distribution of IT products, the Group plans to purchase the Products from Independent Third Parties and re-sell them to Hon Hai Group. The Board considers that the Sale Transaction can broaden the Group's products offering and increase its revenue sources.

The Board (including the independent non-executive Directors) is of the view that the terms of the Sale Framework Agreement and the Sale Caps are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole. The Directors confirmed that none of the Directors had any material interest in the Sale Transaction.

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.

Hon Hai Group is a global manufacturing services provider in the computer, communications and consumer electronics industry whose shares are listed on the Taiwan Stock Exchange Corporation.

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. Hon Hai is a connected person of the Company and the Sale Transaction constitutes continuing connected transaction for the Company under Chapter 20 of the GEM Listing Rules.

As the highest applicable percentage ratios in respect of the Sale Caps are more than 5% but less than 25% and the Sale Caps are less than HK\$10,000,000 on an annual basis, the Sale Transaction is only subject to the reporting, annual review and announcement requirements but is exempt from the Independent Shareholders' approval requirement under Chapter 20 of the GEM Listing Rules.

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
“FY”	the financial year 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 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
“Products”	IT products, including but not limited to raw materials and electronic parts
“Sale Cap(s)”	the annual cap(s) in respect of the Sale Transaction
“Sale Framework Agreement”	the sale framework agreement entered into between the Company and Hon Hai on 3 July 2020 in respect of the Sale Transaction for the Sale Term
“Sale Term”	from the date on which the condition precedent is satisfied to 31 December 2022
“Sale Transaction”	the sale of the Products by the Company to Hon Hai contemplated under the Sale 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, 3 July 2020

As at the date of this announcement, the executive Directors are Mr. Hong Sung-Tai, Ms. Chen Ching-Hsuan, Mr. Han Chun-Wei and Mr. Tsai Biing-Hann ; 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