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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)

QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 31 MARCH 2021

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\$72.1 million for the three months ended 31 March 2021 (three months ended 31 March 2020: approximately HK\$72.9 million), representing a decrease of approximately HK\$0.8 million when compared with the same period last year.
- The Group recorded a profit attributable to the owners of the Company of approximately HK\$0.02 million for the three months ended 31 March 2021 (three months ended 31 March 2020: approximately HK\$0.9 million), representing a decrease of approximately HK\$0.8 million when compared with the same period last year. The board of Directors (the “**Board**”) considers that the aforesaid decrease in net profit of the Group for the three months ended 31 March 2021 was mainly attributable to decrease in gross margin from the distribution of third party IT products.
- The Board does not recommend the payment of an interim dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

QUARTERLY RESULTS

The Board hereby announces the unaudited condensed consolidated quarterly results of the Group for the three months ended 31 March 2021, together with the comparative unaudited figures for the corresponding period in 2020, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Three months ended	
		31 March	
	Notes	2021	2020
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Revenue	4	72,071	72,877
Cost of sales		<u>(67,456)</u>	<u>(66,629)</u>
Gross profit		4,615	6,248
Other income		624	773
Selling and distribution costs		(1,355)	(1,438)
Administrative expenses		(3,701)	(4,313)
Research and development expenditures		(345)	(395)
Share of net profit of an associate accounted for using the equity method		201	247
Finance costs		<u>(20)</u>	<u>(8)</u>
Profit before income tax	6	19	1,114
Income tax expenses	7	<u>(1)</u>	<u>(255)</u>
Profit for the period		18	859
Other comprehensive income for the period:			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		<u>732</u>	<u>(138)</u>
Other comprehensive income for the period		<u>732</u>	<u>(138)</u>
Total comprehensive income for the period		<u>750</u>	<u>721</u>

		Three months ended	
		31 March	
		2021	2020
<i>Notes</i>		<i>HK\$'000</i>	<i>HK\$'000</i>
		(unaudited)	(unaudited)
Profit for the period attributable to:			
	– Owners of the Company	18	859
	– Non-controlling interests	–	–
		<u>18</u>	<u>859</u>
Total comprehensive income for the period attributable to:			
	– Owners of the Company	750	719
	– Non-controlling interests	–	2
		<u>750</u>	<u>721</u>
Earnings per share attributable to owners of			
the Company (<i>HK cents per share</i>)			
	– Basic and diluted	0.08	3.67
		<u>0.08</u>	<u>3.67</u>

8

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Total HK\$'000	Non- controlling interests HK\$'000	Total HK\$'000
	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			
At 1 January 2021 (audited)	4,687	183,006	24	14,990	(5)	(57,451)	145,251	-	145,251
Profit for the period	-	-	-	-	-	18	18	-	18
Other comprehensive income for the period ended 31 March 2021:									
Exchange differences on translation of foreign operations	-	-	732	-	-	-	732	-	732
Total comprehensive income for the period	-	-	732	-	-	18	750	-	750
At 31 March 2021 (unaudited)	<u>4,687</u>	<u>183,006</u>	<u>756</u>	<u>14,990</u>	<u>(5)</u>	<u>(57,433)</u>	<u>146,001</u>	<u>-</u>	<u>146,001</u>
At 1 January 2020 (audited)	4,687	183,006	(2,424)	14,990	49	(66,448)	133,860	(495)	133,365
Profit for the period	-	-	-	-	-	859	859	-	859
Other comprehensive income for the period ended 31 March 2020:									
Exchange differences on translation of foreign operations	-	-	(140)	-	-	-	(140)	2	(138)
Total comprehensive income for the period	-	-	(140)	-	-	859	719	2	721
At 31 March 2020 (unaudited)	<u>4,687</u>	<u>183,006</u>	<u>(2,564)</u>	<u>14,990</u>	<u>49</u>	<u>(65,589)</u>	<u>134,579</u>	<u>(493)</u>	<u>134,086</u>

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.

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 three months ended 31 March 2021 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 accounting policies adopted in the preparation of the unaudited condensed consolidated financial information are same as those applied in the preparation of the Group’s annual financial statements for the year ended 31 December 2020, except for the new and revised HKFRS and interpretations issued by HKICPA that are first effective for the current accounting period of the Group. There has been no significant change to the accounting policy applied in these unaudited condensed consolidated financial information for the period presented as a result of adoption of these amendments.

4. REVENUE

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

	Three months ended	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Sales and distribution of IT products	71,963	72,805
Repairs and service support	108	72
	<u>72,071</u>	<u>72,877</u>

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.

The Executive Directors have identified two reportable segments of the Group's business:

- (i) Sales and distribution of IT products: 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 IT products.

No operating segments have been aggregated in arriving at the reportable segments of the Group.

No sales between segments are carried out during the three months ended 31 March 2021 and 2020. The revenue from external parties is measured in the same way as in the unaudited condensed consolidated statement of comprehensive income.

Interest income from bank deposits, interest on lease liabilities and corporate expenses are not allocated to segments, as these types of activities are driven by the central treasury function, which manages the cash position of the Group.

Segment revenue and results

The segment information provided to the Executive Directors for the reportable segments for the three months ended 31 March 2021 and 2020 is as follows:

Three months ended 31 March 2021

	Sales and distribution of IT products <i>HK\$'000</i> (unaudited)	Repairs and service support <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue from external customers	<u>71,963</u>	<u>108</u>	<u>72,071</u>
Time of revenue recognition			
– At a point in time	<u>71,963</u>	<u>43</u>	<u>72,006</u>
– Over time	<u>–</u>	<u>65</u>	<u>65</u>
Segment profit	<u>1,267</u>	<u>30</u>	<u>1,297</u>
Other income			624
Finance costs			(20)
Unallocated corporate expenses (<i>Note</i>)			<u>(2,083)</u>
Operating loss			(182)
Share of net profit of an associate accounted for using the equity method			<u>201</u>
Profit before income tax			19
Income tax expenses			<u>(1)</u>
Profit for the period			<u>18</u>

Three months ended 31 March 2020

	Sales and distribution of IT products <i>HK\$'000</i> (unaudited)	Repairs and service support <i>HK\$'000</i> (unaudited)	Total <i>HK\$'000</i> (unaudited)
Revenue from external customers	<u>72,805</u>	<u>72</u>	<u>72,877</u>
Time of revenue recognition			
– At a point in time	72,805	–	72,805
– Over time	<u>–</u>	<u>72</u>	<u>72</u>
Segment profit	<u>2,988</u>	<u>19</u>	3,007
Other income			773
Finance costs			(8)
Unallocated corporate expenses (<i>Note</i>)			<u>(2,905)</u>
Operating profit			867
Share of net profit of an associate accounted for using the equity method			<u>247</u>
Profit before income tax			1,114
Income tax expenses			<u>(255)</u>
Profit for the period			<u>859</u>

Note:

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

6. PROFIT BEFORE INCOME TAX

Profit before income tax is stated after charging and crediting the following:

	Three months ended	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Depreciation of property, plant and equipment	602	591
Depreciation of right-of-use assets	228	325
Interest on lease liabilities	20	8
Short term lease expenses	107	33
Interest income	(13)	(170)
Net foreign exchange losses	280	102
(Net reversal of)/net provision for inventories (included in cost of sales)	(168)	1,527
Rental income	(600)	(600)
	<u>602</u>	<u>591</u>

7. INCOME TAX EXPENSES

Hong Kong and overseas profits tax has been provided at the rate of 16.5% (2020: 16.5%) and at the rates of taxation prevailing in the countries in which the Group operates respectively.

	Three months ended	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Current tax:		
– Hong Kong Profit Tax	124	–
– Overseas taxation	(123)	255
	<u>1</u>	<u>255</u>

8. EARNINGS PER SHARE

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the period:

	Three months ended	
	31 March	
	2021	2020
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Profit attributable to the ordinary equity holders of the Company used in calculating basic earnings per share	18	859
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share (<i>'000</i>)	23,434	23,434
Basic earnings per share attributable to the ordinary equity holders of the Company (<i>HK cents per share</i>)	<u>0.08</u>	<u>3.67</u>

Diluted earnings per share

Diluted earnings per share is equal to basic earnings per share as there was no dilutive potential share outstanding during the period (three months ended 31 March 2020: same).

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board does not recommend the payment of a dividend for the three months ended 31 March 2021 (three months ended 31 March 2020: Nil).

BUSINESS REVIEW

Sales and distribution of IT products

The core business segment of the Group is sales and distribution of IT products. It includes distribution of renowned third-party IT products and video surveillance systems carrying our own brand name.

The third-party IT products are mainly refurbished and end-of-life units that are distributed through our well-established wholesale network covering the North America, Asia and Europe. During the reporting period, the high demand for refurbished and end-of-life products slightly reduced to a medium-high state. Furthermore, a new ground-breaking chip technology was launched in the fourth quarter of 2020, caused severe price drop on the end-of-life products, resulting in the dilution of overall gross margin. The Group has 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 Foxconn Technology Group that has strong business bond with this renowned IT brand. The Group will continue to manage its tied up working capital by improving the inventory turnover days and mitigating the inventory risk, with an aim to shorten the cash conversion cycle.

The sales and distribution of video surveillance systems 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.

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 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. As an extension of the Group's repairs and service support segment, the Group is liaising with potential customers for provision of repair services.

FINANCIAL REVIEW

Revenue

The Group's total revenue was approximately HK\$72.1 million for the three months ended 31 March 2021, representing a decrease of approximately HK\$0.8 million as compared to that of approximately HK\$72.9 million for the three months ended 31 March 2020.

Segment revenue by geographical location

	Three months ended	
	31 March	
	2021	2020
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Hong Kong	39,782	14,669
Taiwan	15,785	3,628
United States	10,246	31,196
Netherlands	5,624	22,763
Others	634	621
	<u>72,071</u>	<u>72,877</u>

For the three months ended 31 March 2021, Hong Kong market overtook the United States market and contributed approximately 55.2% (three months ended 31 March 2020: 20.1%) of the Group's revenue. The Taiwan market contributed approximately 21.9% (three months ended 31 March 2020: 5.0%) and the United States market contributed approximately 14.2% (three months ended 31 March 2020: 42.8%) of the Group's revenue for the three months ended 31 March 2021. The change in the composition of the revenue was due to the change of product mix driven by the demand and supply of the IT products in each of the geographical location.

Cost of sales

A major component of the cost of sales was the cost of inventories. Despite the slight drop in revenue, the cost of sales for the three months ended 31 March 2021 slightly increased to approximately HK\$67.5 million, as compared to that of approximately HK\$66.6 million for the same period in 2020. There was a net reversal of provision of inventories (included in the cost of sales) amounted to approximately HK\$0.2 million as compared to a net provision of approximately HK\$1.5 million for the same period in 2020 to account for the decrease in slow-moving inventories.

Gross profit and gross profit margin

Gross profit decreased by approximately HK\$1.6 million to approximately HK\$4.6 million for the three months ended 31 March 2021. The overall gross profit margin decreased to approximately 6.4% for the three months ended 31 March 2021 which was caused by severe price drop on the end-of-life products following the launch of new chip technology, resulting in the dilution of overall gross margin.

Administrative expenses

Administrative expenses decreased by approximately 14.2% to approximately HK\$3.7 million during the three months ended 31 March 2021. It was mainly due to the professional fee incurred in relation to a continuing connected transaction in 2020 and 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 for the period

The Group recorded a net profit of approximately HK\$0.02 million and approximately HK\$0.9 million for the three months ended 31 March 2021 and 2020, respectively. The decrease in net profit for the three months ended 31 March 2021 was substantially due to severe price drop on the end-of-life products following the launch of new chip technology, resulting in the dilution of overall gross margin.

BUSINESS OUTLOOK

Building upon the foundation and experience gained in 2020, the Group expects to face keen competition in the IT product distribution business and the management will closely monitor the IT product distribution business and may adjust the Group's business portfolio in a bid to increase customer base and generate better and more stable returns to the shareholders.

In order to diversify the business portfolio of the Group and to avoid overconcentration on a single business segment, given the current contribution of the repairs and service support segment to the overall revenue of the Group, the Group believes that there is plenty of room for growth of the repairs and service support segment. Due to the outbreak of COVID-19, there is certain delay in the business plan for the expansion of the repairs and service support segment, including the set up of new repair centres. The Group is in the process of applying certain business licenses and ISO for our new repair centres. The management will closely monitor the development of COVID-19, assess and react actively to its impacts on the financial position and operating results of the Group.

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.

LIQUIDITY, FINANCIAL RESOURCES AND GEARING RATIO

During the period under review, the Group financed its daily operations with internally generated resources and net proceeds from the rights issue completed on 20 October 2017. The Group had net current assets of approximately HK\$122.7 million (31 March 2020: HK\$111.7 million) and cash and cash equivalents amounted to approximately HK\$110.9 million as at 31 March 2021 (31 March 2020: HK\$83.2 million). The Group had no borrowings outstanding as at 31 March 2021.

As at 31 March 2021, the gearing ratio, which is calculating on the basis of total debts over total equity of the Group, was 40.1% (31 March 2020: 27.8%). The increase in gearing ratio was mainly due to increase in trade payables.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS IN SHARES

As of 31 March 2021, none of the Directors and chief executives of the Company is interested in or has 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 (Chapter 571 of the Laws of Hong Kong) (“SFO”)) which were required 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) to be notified to the Company and the Stock Exchange, 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 three months ended 31 March 2021 was the Company, its holding company or any of its subsidiaries a party to any arrangements to enable the Directors 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 right during the three months ended 31 March 2021.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

Long position in shares as at 31 March 2021

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 in 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 of the Company held by Foxconn (Far East) Limited under the SFO.

Save as disclosed above, as at 31 March 2021, the Company had not been notified by any other persons (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, which were required to be disclosed 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 three months ended 31 March 2021, none of the Directors, controlling shareholders or their respective close associates (as defined in the GEM Listing Rules) had 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 had not redeemed any of its shares during the three months ended 31 March 2021. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the three months ended 31 March 2021.

AUDIT COMMITTEE

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

The primary duties of the Audit Committee are to review and oversee the financial reporting system, risk management and internal control systems of the Group. The Audit Committee is also responsible for, among other things, reviewing the Company's annual report and financial statements, quarterly reports and half-yearly report, reviewing significant financial reporting judgments contained therein and providing advice and comments thereon to the Board.

The Audit Committee has reviewed the unaudited condensed consolidated financial information of the Group for the three months ended 31 March 2021, 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, 12 May 2021

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 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.