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TRANSTECH OPTELECOM SCIENCE HOLDINGS LIMITED

高科橋光導科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9963)

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF LICENSING THE PREMISES FROM FUTONG GROUP INTERNATIONAL LIMITED

THE RENEWED PREMISES LICENCE AGREEMENT

Reference is made to the Section “Continuing Connected Transactions” of the Company’s Prospectus dated 30 June 2017 regarding the Existing Premises Licence Agreement. As the Existing Premises Licence Agreement expired on 30 June 2021, the Board is pleased to announce that on 7 July 2021, Transtech Optical Communication Company Limited (“**Transtech**”) and Futong Group International Limited (“**Futong Group International**”) renewed the Existing Premises Licence Agreement by entering into the Renewed Premises Licence Agreement, pursuant to which Futong Group International agrees to grant a licence to Transtech to occupy the premises located at 3 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong (the “**Premises**”) for a term of three years commencing on 1 July 2021 and terminating on the 30 June 2024 (both days inclusive) (“**Licence Period**”).

LISTING RULES IMPLICATIONS

Futong Group International was wholly owned by Mr. Wang, our Controlling Shareholder. Therefore, Futong Group International is a connected person of our Group. Since the highest applicable percentage ratio (other than the profits ratio) as defined in the Listing Rules as determined by reference to the Annual Caps in respect of the transactions contemplated under the Renewed Premises Licence Agreement, on an annual basis, exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Renewed Premises Licence Agreement constitute continuing connected transactions for the Group and the Group is required to comply with announcement, reporting and annual review requirements but exempt from independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

(A) THE RENEWED PREMISES LICENCE AGREEMENT

Reference is made to the Section “Continuing Connected Transactions” of the Company’s Prospectus dated 30 June 2017 regarding the Existing Premises Licence Agreement. As the Existing Premises Licence Agreement expired on 30 June 2021, the Board is pleased to announce that on 7 July 2021, Transtech and Futong Group International renewed the Existing Premises Leasing Agreement by entering into the Renewed Premises Leasing Agreement, pursuant to which Futong Group International agrees to grant a licence to Transtech to occupy the premises located at 3 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong for a term of three years commencing on 1 July 2021 and terminating on 30 June 2024 (both days inclusive).

Principal terms of the Renewed Premises Licence Agreement are set out below:

Date: 7 July 2021

Parties: (i) Transtech; and
(ii) Futong Group International.

Subject matter: Futong Group International agrees to grant a licence to Transtech subject to the terms and conditions of the Renewed Premises Licence Agreement.

The location, usage and other details of the Premises shall be set out in the Renewed Premises Licence Agreement. Futong Group International agrees that the quality and conditions of the premises to be provided will be satisfactory to Transtech. As at the date of the Renewed Premises Licence Agreement, the Premises of which Futong Group International agrees to grant a licence to Transtech is situate at 3 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.

Term and renewal: The Renewed Premises Licence Agreement shall commence from 1 July 2021 and end on 30 June 2024.

Transtech shall have the right in its sole discretion to renew the Renewed Premises Licence Agreement by giving at least six months’ notice to Futong Group International before its termination in which event both Futong Group International and Transtech agree to sign new documents, subject to compliance with the relevant laws, rules and regulations and the Listing Rules.

Licence Fee, the Premises Related Fees and Charges and payment terms: The licence fee, the basis of licence fee payable and the exact date of licence fee payment in respect of the Premises must be fair and reasonable to Transtech and on normal commercial terms.

Licence Fee

The relevant licence fee of the Premises shall not be higher than the licence fee for the same or comparable type of premises provided by independent third parties in the ordinary course of business. The terms and conditions on which such Premises are to be provided by Futong Group International should be no less favourable to the Group than those offered by independent third parties.

Management Fee and maintenance charge

Management Fee and maintenance charge of the Premises shall be borne and paid by Futong Group International.

Government Rent, Government Rates and other outgoings

Government Rates, Government Rates and other outgoings in respect to the said Premises will be borne and paid by Transtech.

Condition precedent: The Renewed Premises Licence Agreement is subject to and conditional on (i) that Hong Kong Science and Technology Parks Corporation has given its consent to Futong Group International to grant a licence to Transtech and (ii) the fulfillment of the requirements of the Listing Rules and any conditions imposed by the Stock Exchange.

(B) HISTORICAL TRANSACTION AMOUNTS, THE VALUE OF RIGHT-OF-USE ASSETS AND THE ANNUAL CAPS

Upon implementation of HKFRS 16 “Lease” effective from 1 January 2019, the Group, when entering into a lease transaction (i.e. the transactions undertaken under the “**Existing Premises Licence Agreement**” and the “**Renewed Premises Licence Agreement**”) as lessee (i.e. the licensee), may recognise the right-of-use assets in the consolidated statement of financial position of the Group according to HKFRS 16. The value of the right-of-use assets to be recognised by the Group for such transactions under the Renewed Premises Licence Agreement represents the present value of the estimated aggregate Licence Fee payments for such transactions payable by the Group to Futong Group International in accordance with HKFRS 16 “Leases”.

On the other hand, certain Licence Fee and related payments to be made by Transtech to Futong Group International under the Renewed Premises Licence Agreement may not be recognised as the right-of-use assets in the statement of financial position of the Group but will continue to be recognised as cost of sales or expenses in the consolidated statement of profit or loss of the Group.

The following table sets out the historical expenditures in relation to the Licence Fee and related payments made by the Group to Futong Group International recognized as cost of sales or expenses in the consolidated statement of profit or loss of the Group for

the five years ended 31 December 2020 and the Annual Caps for the transactions under the Renewed Premises Licence Agreement to be recognised in the consolidated financial statements of the Group for each of the four years ending 31 December 2024.

	Aggregate amount for the year ended					Annual Cap for the year ending			
	31 December (in HK\$ million)					31 December (in HK\$ million)			
	2016	2017	2018	2019	2020	2021	2022	2023	2024
	(audited)	(audited)	(audited)	(audited)	(audited)	(forecast)	(forecast)	(forecast)	(forecast)
Licence Fee	10.8	10.8	11.9	11.9	8.9	13.5	13.5	13.5	13.5

The Annual Caps for the transactions under the Renewed Premises Licence Agreement were determined by reference to: (i) the existing licence agreement entered into between Transtech and Futong Group International under the Existing Premises Licence Agreement; (ii) the expected renewals of certain existing licence agreement under the Existing Premises Licence Agreement during the Licence Period; (iii) the estimated Licence Fee adjustments to be made to the renewed licence agreement; (iv) the adoption of HKFRS 16 “Lease” for renewed licence agreement; and (v) a buffer for any unanticipated fluctuations of market licence fee and any unexpected fees and charges incidental to the transactions contemplated under the Renewed Premises Licence Agreement in the Licence Period. The terms and conditions on which the Premises to be provided by Futong Group International should be no less favourable to the Group than those offered by independent third parties.

(C) REASONS FOR AND BENEFITS OF THE ENTERING INTO THE RENEWED PREMISES LICENCE AGREEMENT

The principal business activity of Futong Group International is engaged in letting property in Hong Kong while the core business of Transtech is the manufacturing and sale of optical fibre in Hong Kong.

It would not be commercially viable for Transtech to acquire the Premises from the Futong Group International as the relatively substantial cost would have adverse effect on the financial performance of our Group. The relocation of the production lines of Transtech will attract substantial costs and cause disruption in production. As such, our Group and Futong Group International entered into a licence agreement of a three-year term to ensure our Group’s continuous access to our operational facilities in Hong Kong. Our Directors consider that terms of the Renewed Premises Licence Agreement (including the right of Transtech to terminate the Renewed Premises Licence Agreement unilaterally) are on normal commercial terms or better and that Futong Group International not honoring its obligations under the Renewed Premises Licence Agreement will be remote.

(D) LISTING RULES IMPLICATIONS

Futong Group International was owned by Mr. Wang, our Controlling Shareholder. Therefore, Futong Group International is a connected person of our Group. Since the highest applicable percentage ratio (other than the profits ratio) as defined in the Listing Rules as determined by reference to the Annual Caps in respect of the transactions contemplated under the Renewed Premises Licence Agreement, on an annual basis, exceeds 0.1% but all of the applicable percentage ratios are less than 5%, the transactions contemplated under the Renewed Premises Licence Agreement constitute continuing connected transactions for the Group and the Group is required to comply with announcement, reporting and annual review requirements but exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

(E) BOARD'S APPROVAL

The Board has approved the Renewed Premises Licence Agreement. Pursuant to the relevant laws and regulations, the Listing Rules and the requirements of the Articles of association of the Company, Mr. Hu, the Chairman and executive director of the Company, remains as director and standing president of Futong China upon Listing was absent from the Board meeting of the Company while the relevant resolution was being discussed and abstained from voting on the Board resolution on proposing the Renewed Premises Licence Agreement. The Directors confirmed that, save for Mr. Hu, none of them have a material interest in the Renewed Premises Licence Agreement.

DEFINITIONS

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

“Annual Caps”	the annual maximum aggregate values for the transactions contemplated under the Renewed Premises Licence Agreement for each of the four years ending 31 December 2024
“Board”	the board of Directors of the Company
“BVI”	British Virgin Islands
“Company”	Transtech Optelecom Science Holdings Limited (高科橋光導科技股份有限公司), an exempted company with limited liability incorporated in the Cayman Islands and its shares were listed on the Main Board of the Stock Exchange (stock code: 9963)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the transactions contemplated under the Renewed Premises Leasing Agreement

“Director(s)”	the director(s) of the Company
“Existing Premises Licence Agreement”	the premises licence agreement dated 20 October 2016 entered into between the Company and Futong Group International in relation to the leases of the premises
“Futong China”	Futong Group Co., Ltd. (富通集團有限公司), a company incorporated in the PRC and one of the Company’s Controlling Shareholders
“Futong Group International”	Futong Group International Limited, a company incorporated in the BVI on 13 March 2003 which is owned by Mr. Wang, one of our Controlling Shareholders
“Group”	the Company and its subsidiaries from time to time
“HKFRS”	Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	individuals or a companies who or which are not connected with any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“Licence Fee”	the fee payable by Transtech to Futong Group International as set out under the Existing Premises Licence Agreement and the Renewed Premises Licence Agreement
“Licence Period”	the effective period of the Renewed Premises Licence Agreement from 1 July 2021 to 30 June 2024
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Market Price”	the price charged by independent third parties in their ordinary course of business for the provision of the same or comparable type of services in the place where such services are provided or in the vicinities thereof
“Mr. Hu”	Mr. Hu Guoqiang (胡國強), an executive Director and the chairman of the Board
“Mr. Wang”	Mr. Wang Jianyi (王建沂), one of our Controlling Shareholders

“Premises”	the area of a portion on the Ground Floor, a portion on the First Floor, whole Second Floor, Third Floor and Roof of the building located at 3 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong (including the building and other ancillaries erected thereon)
“Premises Related Fees and Charges”	the building management fees, utility charges, air conditioning services charges, electrical and mechanical services charges and any other charges as set out under the Renewed Premises Licence Agreement
“Prospectus”	the prospectus of the Company dated 30 June 2017
“Renewed Premises Licence Agreement”	the premises licence agreement dated 7 July 2021 entered into between the Company and Futong Group International in relation to the licence to use the premises
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Transtech”	Transtech Optical Communication Company Limited (高橋光通信有限公司), a company incorporated in the BVI and a wholly-owned subsidiary of the Company
“%”	per cent

By order of the Board
Transtech Optelecom Science Holdings Limited
Mr. Hu Guoqiang
Chairman

Hong Kong, 7 July 2021

As at the date of this announcement, the executive Directors of the Company are Mr. Hu Guoqiang, Mr. He Xingfu, Mr. Pan Jinhua, Ms. Sun Jing and Mr. Ren Guodong and the independent non-executive Directors of the Company are Mr. Li Wei, Mr. Leong Chew Kuan, and Mr. Lau Siu Hang.