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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Transtech Optelecom Science Holdings Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2023 as follows:

Financial Highlights

	2023	2022
	HK$'000	*HK$'000*
Revenue	**174,208**	232,753
Gross profit	**17,465**	29,860
Loss attributable to owners of the Company	**(64,222)**	(70,820)
Basic loss per share (HK cents)	**(24.70)**	(27.24)

The Board has resolved not to pay final dividend for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Revenue	3	**174,208**	232,753
Cost of sales		**(156,743)**	(202,893)
Gross profit		**17,465**	29,860
Other income	5	**1,410**	5,717
Other gains and losses	5	**(12,848)**	(5,065)
Impairment losses on financial assets	7	**(17,754)**	(70,145)
Impairment losses on property, plant and equipment and long-term prepayments	7	**(28,197)**	–
Selling and distribution expenses		**(3,692)**	(5,485)
Administrative expenses		**(19,740)**	(20,666)
Loss from operations		**(63,356)**	(65,784)
Finance costs	6	**(1,891)**	(2,372)
Loss before tax	7	**(65,247)**	(68,156)
Income tax credit/(expense)	8	**1,025**	(2,664)
Loss for the year		**(64,222)**	(70,820)
Other comprehensive income:			
Item that may be reclassified to profit or loss in subsequent periods:			
Exchange differences on translating foreign operation		**1,667**	(11,628)
Total comprehensive income for the year		**(62,555)**	(82,448)
Loss per share			
Basic (HK cents per share)	9	**(24.70)**	(27.24)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	2023 HK$'000	2022 HK$'000
Non-current assets			
Property, plant and equipment		**231,169**	134,702
Deposits for acquisition of property, plant and equipment		**10,301**	105,805
Deposits and prepayments		**6,504**	115,379
Deferred tax assets		**17,388**	13,511
		265,362	369,397
Current assets			
Inventories		**57,495**	59,510
Trade and bill receivables	*10*	**42,554**	56,463
Deposits, prepayments and other receivables		**135,776**	65,255
Tax receivables		**1,430**	1,450
Bank and cash balances		**14,489**	58,160
		251,744	240,838
Current liabilities			
Trade payables	*11*	**15,941**	22,177
Accruals and other payables		**11,037**	12,678
Contract liabilities		**542**	4,123
Bank borrowings		**37,564**	55,800
Tax payables		**1,104**	1,787
		66,188	96,565
Net current assets		**185,556**	144,273
Total assets less current liabilities		**450,918**	513,670

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	2023	2022
	HK$'000	*HK$'000*
Non-current liability		
Provisions	**556**	753
NET ASSETS	**450,362**	512,917
Capital and reserves		
Share capital	**2,600**	2,600
Reserves	**447,762**	510,317
TOTAL EQUITY	**450,362**	512,917

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"). HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. These consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and with the disclosure requirements of the Hong Kong Companies Ordinance (Cap. 622).

2. ADOPTION OF NEW AND REVISED HKFRSs

The Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures in the consolidated financial statements.

Impact on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has adopted Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies" for the first time in the current year. HKAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 "Making Materiality Judgements" (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance.

Change in accounting policy as a result of application of the HKICPA guidance on the accounting implications of the abolition of the Mandatory Provident Fund ("MPF") — Long Service Payment ("LSP") offsetting mechanism in Hong Kong

The Company and a subsidiary operating in Hong Kong are obliged to pay LSP to employees under certain circumstances. Meanwhile, the Group makes mandatory MPF contributions to the trustee who administers the assets held in a trust solely for the retirement benefits of each individual employee. Offsetting of LSP against an employee's accrued retirement benefits derived from employers' MPF contributions was allowed under the Employment Ordinance (Cap. 57). In June 2022, the Government of the Hong Kong Special Administrative Region gazetted the Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "**Amendment Ordinance**") which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset severance payment and LSP (the "**Abolition**"). The Abolition will officially take effect on 1 May 2025 (the "**Transition Date**"). In addition, under the Amendment Ordinance, the last month's salary immediately preceding the Transition Date (instead of the date of termination of employment) is used to calculate the portion of LSP in respect of the employment period before the Transition Date.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" which provides guidance for the accounting for the offsetting mechanism and the impact arising from abolition of the MPF-LSP offsetting mechanism in Hong Kong. In light of this, the Group has implemented the guidance published by the HKICPA in connection with the LSP obligation retrospectively so as to provide more reliable and more relevant information about the effects of the offsetting mechanism and the Abolition.

The Group considered the accrued benefits arising from employer MPF contributions that have been vested with the employee and which could be used to offset the employee's LSP benefits as a deemed contribution by the employee towards the LSP. Historically, the Group has been applying the practical expedient in paragraph 93(b) of HKAS 19 to account for the deemed employee contributions as a reduction of the service cost in the period in which the related service is rendered.

Based on the HKICPA's guidance, as a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contributions after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, it would not be appropriate to view the contributions as "independent of the number of years of service" and the practical expedient in paragraph 93(b) of HKAS 19 is no longer applicable. Instead, these deemed contributions should be attributed to periods of service in the same manner as the gross LSP benefit applying paragraph 93(a) of HKAS 19. This change in accounting policy has had no material impact on the Group's financial positions and performance for the current and prior years.

3. REVENUE

Disaggregation of revenue from contracts with customers

Year ended 31 December 2023

Segments	**Optical fibre cables, optical cable cores and other related products** *HK$'000*	**Optical fibres** *HK$'000*	**Total** *HK$'000*
Types of goods			
Sales of goods			
Optical fibre cables	**159,093**	**–**	**159,093**
Optical fibres	**13,796**	**1,319**	**15,115**
Total revenue from contracts with customers	**172,889**	**1,319**	**174,208**
Timing of revenue recognition			
Goods transferred at a point in time with customers	**172,889**	**1,319**	**174,208**

Year ended 31 December 2022

Segments	Optical fibre cables, optical cable cores and other related products *HK$'000*	Optical fibres *HK$'000*	Total *HK$'000*
Types of goods			
Sales of goods			
Optical fibre cables	201,330	–	201,330
Optical fibres	5,378	25,933	31,311
Other related products	112	–	112
Total revenue from contracts with customers	206,820	25,933	232,753
Timing of revenue recognition			
Goods transferred at a point in time with customers	206,820	25,933	232,753

4. SEGMENT INFORMATION

Operating segments are identified on the basis of internal reports according to the business lines operated by the Group, and are regularly reviewed by Mr. He Xingfu, the chief operating decision maker to allocate resources to the segments and to assess their performance. The Group's operating and reporting segments are (i) optical fibre cables, optical cable cores and other related products, which is located in Thailand and (ii) optical fibres, which is located in Hong Kong. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax from operations. The adjusted profit/loss before tax is measured consistently with the Group's loss before tax except that interest income, non-lease related finance costs, fair value gain/loss from the Group's financial instruments as well as head office and corporate expenses are excluded from such measurement.

Intersegment sales are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

Segment revenue and results

Year ended 31 December 2023

	Optical fibre cables, optical cable cores and other related products *HK$'000*	Optical fibres *HK$'000*	Sub-total *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue					
External sales	172,889	1,319	174,208	–	174,208
Intersegment sales	–	20,738	20,738	(20,738)	–
Segment revenue	172,889	22,057	194,946	(20,738)	174,208
Segment loss	(15,399)	(42,077)	(57,476)	(1,922)	(59,398)
Unallocated					
Interest income					5
Central corporate expenses					(3,963)
Finance costs					(1,891)
Loss before tax					(65,247)

Year ended 31 December 2022

	Optical fibre cables, optical cable cores and other related products *HK$'000*	Optical fibres *HK$'000*	Sub-total *HK$'000*	Elimination *HK$'000*	Total *HK$'000*
Revenue					
External sales	206,820	25,933	232,753	–	232,753
Intersegment sales	–	33,988	33,988	(33,988)	–
Segment revenue	206,820	59,921	266,741	(33,988)	232,753
Segment loss	(18,118)	(42,910)	(61,028)	(1,035)	(62,063)
Unallocated					
Interest income					5
Central corporate expenses					(3,726)
Finance costs					(2,372)
Loss before tax					(68,156)

Information about major customers

Revenue attributed from customers that accounted for 10% or more of the Group's total revenue for the respective year is as follows:

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Customer A	**N/A***	25,513
Customer B	**22,771**	N/A*
Customer C	**53,466**	33,145
Customer D	**26,882**	36,376

* Revenue from relevant customer was less than 10% of the Group's total revenue for the respective year.

Note: Aforesaid customers are customers of the segment of optical fibre cables, optical cable cores and other related products. Customers A is also customer of the segment of optical fibres.

5. OTHER INCOME, OTHER GAINS AND LOSSES

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Other income:		
Income from sales of scrap products	**186**	429
Bank interest income	**72**	28
Government grants *(note (a))*	**–**	1,120
Others *(note (b))*	**1,152**	4,140
	1,410	5,717
Other gains and losses:		
Foreign exchange losses, net	**(12,848)**	(7,217)
Gain on disposals of assets classified as held for sale	**–**	2,152
	(12,848)	(5,065)

Notes:

(a) The Group recognised government grants: (a) of approximately HK$74,000 in respect of COVID-19-related subsidies provided by the Thailand government; and (b) of approximately HK$1,046,000 under the "Employment Support Scheme" from the Hong Kong government during the year ended 31 December 2022.

(b) Amount includes service fee income of approximately HK$531,000 (2022: approximately HK$2,975,000) in respect of technical support provided to an independent third party for the production of masks in Hong Kong during the year ended 31 December 2023.

6. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Interest on bank and other borrowings	**1,891**	2,357
Interest on lease liabilities	**–**	15
	1,891	2,372

7. LOSS BEFORE TAX

The Group's loss before tax is arrived at after charging/(crediting):

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Auditor's remuneration		
— Audit services	**900**	1,400
— Non-audit services	**41**	83
	941	1,483
Depreciation of property, plant and equipment	**9,221**	11,535
Less: amount capitalised in inventories	**(8,110)**	(10,572)
	1,111	963
Depreciation of right-of-use assets	**–**	5,367
Less: amount capitalised in inventories	**–**	(5,367)
	–	–
Employee benefit expense, inclusive of directors' emoluments:		
Directors' remuneration	**4,038**	4,236
Other staff costs		
Salaries and other benefits	**20,357**	19,058
Retirement benefits scheme contributions	**640**	656
Total staff costs	**25,035**	23,950
Less: amount capitalised in inventories	**(12,999)**	(14,201)
	12,036	9,749
Cost of inventories recognised as an expense (included in cost of sales)	**154,120**	202,893
Allowance for inventories (included in cost of sales)	**2,623**	–
Expenses relating to short-term lease (included in cost of sales, selling and distribution expenses and administrative expenses)	**10,531**	5,983
Gain on disposals of assets classified as held for sale	**–**	(2,152)
(Reversal of impairment losses)/impairment losses on trade receivables	**(11,417)**	59,491
Impairment losses on deposits for purchase of raw materials and other receivables	**29,171**	10,654
	17,754	70,145
Impairment losses on property, plant and equipment	**5,767**	–
Impairment losses on long-term prepayments	**22,430**	–
	28,197	–

8. INCOME TAX (CREDIT)/EXPENSE

	Year ended 31 December	
	2023	2022
	HK$'000	*HK$'000*
Thailand Corporate Income Tax		
Current tax	**2,686**	2,262
Thailand withholding tax	**107**	93
Deferred tax	**(3,818)**	309
	(1,025)	2,664

Hong Kong Profits Tax

Under the two-tiered profits tax rates regime of Hong Kong Profits Tax, the first HK$2 million of taxable profits of the qualifying group entity will be taxed at 8.25%, and profits above HK$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. Accordingly, the Hong Kong Profits Tax of the qualifying group entity is calculated at 8.25% on the first HK$2 million of the estimated assessable profits and at 16.5% on the estimated assessable profits above HK$2 million.

Thailand Corporate Income Tax

The provision for Thailand Corporate Income Tax is based on the statutory rate of 20% on the estimated assessable profits. Futong Group Communication Technology (Thailand) Co., Ltd. ("**Futong Thailand**") has been granted preferential tax treatments by the Board of Investment in Thailand relating to manufacturing of cables by virtue of the provisions of the Industrial Investment Promotion Act B.E.2520 of Thailand. The preferential tax treatments granted include: (i) the full exemption from payment of corporate income tax on net profit of the promoted business of the manufacturing of cables for a period of eight years ended 28 February 2021 ("**Exemption Period**"). No Corporate Income tax has been provided within the Exemption Period; and (ii) the 50% exemption from payment of corporate income tax during the period from 1 March 2021 to 28 February 2025 ("**50% Exemption Period**"), 50% Corporate Income Tax has been provided by the direct application of Corporate Income Tax rate to the profit before tax of management account during the "50% Exemption Period".

9. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year:

	2023	2022
	HK$'000	*HK$'000*
Loss		
Loss for the year attributable to owners of the Company for the purpose of calculating basic loss per share	**(64,222)**	(70,820)

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares in issue during the year for the purpose of calculating basic loss per share	**260,000**	260,000

No diluted loss per share for both years has been presented as the Group had no potentially dilutive ordinary shares outstanding during the both years.

10. TRADE AND BILL RECEIVABLES

The following is an ageing analysis of the trade receivables, net of allowance for credit losses presented based on invoice date at the end of the reporting period.

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
0–180 days	**32,328**	38,428
181–270 days	**–**	4,350
271–365 days	**–**	–
Over 365 days	**10,226**	11,966
	42,554	54,744

The bill received by the Group is with a maturity period of less than one year and is aged within one year based on the invoice date.

11. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	As at 31 December	
	2023	2022
	HK$'000	*HK$'000*
0–30 days	**7,319**	4,480
31–60 days	**3,406**	3,976
61–90 days	**3,130**	5,079
91–180 days	**1,280**	5,344
Over 180 days	**806**	3,298
	15,941	22,177

MANAGEMENT DISCUSSION AND ANALYSIS

A. FINANCIAL REVIEW

Revenue

The Group's total revenue decreased from approximately HK$232.8 million in the year ended 31 December 2022 to approximately HK$174.2 million in the year ended 31 December 2023. The decrease in total revenue of the Group was mainly due to the sales of optical fibres in Indonesia decreased from approximately HK$28.4 million to approximately HK$1.3 million, resulting in decrease of sales revenue.

Cost of sales

The key components of the Group's cost of sales comprised principally the (i) raw materials used for production of optical fibres, optical fibre cables, optical cable cores and other related products, (ii) direct and indirect labour costs, (iii) manufacturing overheads such as depreciation for plant and equipment and right-of-use assets, rent, consumables, utilities, and other expenses related to the manufacturing our products and (iv) change in inventories of finished goods and work in progress.

For the year ended 31 December 2023, the cost of sales of the Group decreased by approximately 22.8% to approximately HK$156.7 million as compared with the corresponding period in FY2022. Such decrease was mainly attributable to the net effect of the decrease of purchased quantity along with decreased sales volume and the decrease of optical fibre unit cost during the reporting period and allowance for inventories.

Gross profit and margin

The gross profit of the Group decreased from approximately HK$29.9 million, for the year ended 31 December 2022 to approximately HK$17.5 million for the year ended 31 December 2023.

The gross profit margin decreased from approximately 12.8% for the year ended 31 December 2022 to approximately 10.0% for the year ended 31 December 2023. This is mainly attributable to the recognition of fixed overhead and staff costs in cost of sales resulting from the temporary suspension of the Group's manufacturing and trading of optical fibres during the year ended 31 December 2023.

Impairment losses on financial assets

Impairment losses on financial assets represented the net effect of reversal of impairment losses on trade receivable and impairment losses on deposits for purchase of raw materials and other receivables, which decreased by approximately HK$52.3 million, or approximately 74.6% from approximately HK$70.1 million for the year ended 31 December 2022 to approximately HK$17.8 million for the year ended 31 December 2023.

Impairment losses on property, plant and equipment and long-term prepayments

As at 31 December 2023, the carrying amounts of property, plant and equipment and long-term prepayments before recognition of impairment losses belong to the reporting segment of optical fibres were approximately HK$10.2 million and HK$39.4 million respectively. Due to the operating loss and temporary production suspension of the Group's manufacturing and trading of optical fibres, management concluded there were indications of impairment and performed an impairment assessment on these assets as at 31 December 2023 to determine the recoverable amount of this cash-generating unit ("**CGU**") to which the assets belong based on value in use of the CGU.

The recoverable amount of the relevant assets was determined on the basis of their value in use by using discounted cash flow method. Impairment losses on property, plant and equipment and long-term prepayments amounting to approximately HK$5.8 million and HK$22.4 million respectively were recognised during the year to reduce the carrying amount of the CGU to its recoverable amount.

Other income, other gains and losses, net

The Group did not recognise any grant in respect of COVID-19 related subsidies which provided by the Government of Thailand for the year ended 31 December 2023 (2022: approximately HK$0.1 million). There is also no grant under the "Employment Support Scheme" (2022: approximately HK$1.0 million) from the Hong Kong government recognised for the year ended 31 December 2023.

The Group recognised foreign exchange losses of approximately HK$12.8 million for the year ended 31 December 2023 as compared with foreign exchange losses of approximately HK$7.2 million for the year ended 31 December 2022, mainly due to the fluctuation of exchange rates among Renminbi ("**RMB**"), Hong Kong Dollar ("**HK$**"), Thai Baht ("**THB**"), and United States dollar ("**US$**") during the year.

Selling and distribution expenses

Selling and distribution expenses comprised staff cost, transportation expense, export cost and other selling and distribution expenses.

The Group's selling and distribution expenses decreased from approximately HK$5.5 million for the year ended 31 December 2022 to approximately HK$3.7 million for the year ended 31 December 2023, representing a decrease of approximately 32.7%.

The decrease in the selling and distribution expenses for the year ended 31 December 2023 was mainly due to the decrease in transportation expenses and export cost due to decrease in sales.

Administrative expenses

Administrative expenses primarily consist of (i) staff cost, (ii) office expense, which comprises the expense for office supplies, electricity and water expense, rental expense, security fee and repair and maintenance expense, (iii) depreciation, (iv) transportation expense, which comprises travelling expense and motor vehicle expense, (v) professional fee, which comprises audit fee and legal and professional expense, and (vi) other expense, which comprises bank charge and miscellaneous expense.

The Group's administrative expenses decreased from approximately HK$20.7 million for the year ended 31 December 2022 to approximately HK$19.7 million for the year ended 31 December 2023, representing a decrease of approximately 4.8%. The decrease in the administrative expenses for the year ended 31 December 2023 was mainly attributable to the effects of the decrease in staff cost and auditor's remuneration.

Finance costs

Finance costs represent the interest on bank and other borrowings and lease liabilities. The finance costs of the Group decreased from approximately HK$2.4 million for the year ended 31 December 2022 to approximately HK$1.9 million for the year ended 31 December 2023 mainly attributable to the aggregate effects of (i) the decrease in interest on bank borrowings and (ii) the decrease in interest on lease liabilities.

Taxation

Income tax expense decreased from approximately HK$2.7 million for the year ended 31 December 2022 to income tax credit approximately HK$1.0 million for the year ended 31 December 2023. Such changes was mainly caused by the increase of deferred tax asset recognised as a result of significant amount of impairment losses on long-term prepayments for purchase of raw materials provided.

Loss for the year

Loss attributable to owners of the Company for the year ended 31 December 2023 amounted to approximately HK$64.2 million (2022: loss approximately HK$70.8 million).

The decrease of loss attributable to owners of the Company for the year ended 31 December 2023 was mainly attributable to the net effect of the following factors: (i) less sales revenue made as a result of the weak economic situation due to the slow recovery from COVID-19 pandemic; (ii) more foreign exchange loss resulting from the fluctuation of exchange rates among Renminbi, Thai Baht, United States Dollar and Hong Kong Dollar; (iii) increase of impairment loss on deposits for purchase of raw materials, long-term prepayments and property, plant and equipment; and (iv) reversal of impairment loss on trade receivables and other receivables.

Liquidity, financial resources and capital structure

Cash position

The Group's principal sources of funds are used to finance working capital, and the growth and expansion of the Group's operations and sales network. The Group's principal sources of funds are cash generated from operations and bank borrowings. The Group had cash and cash equivalents of approximately HK$14.5 million as at 31 December 2023 (2022: approximately HK$58.2 million).

Bank borrowings

As at 31 December 2023, the Group had total bank borrowings of approximately HK$37.6 million (2022: approximately HK$55.8 million).

Gearing ratio

Gearing ratio is calculated as total borrowings (including payables not incurred in the ordinary course of business of the Group) divided by the total equity as at the respective reporting dates.

Gearing ratio decreased from approximately 10.9% as at 31 December 2022 to approximately 8.3% as at 31 December 2023. Such decrease was primarily resulted from the decrease in bank borrowings and total equity reduced mainly due to the loss for the year.

Foreign currency risk

Our Group's foreign currency exposures arise mainly from the exchange rate movements of the US$ and RMB against THB and RMB against HK$. Any depreciation of THB will reduce the amount of revenue we generate in Thailand in terms of our reporting currency and adversely impact our results of operations. Similarly, the Group might also suffer exchange loss if RMB depreciates against HK$ because the deposits for purchase of raw materials are denominated in RMB. However, our Group has established a foreign currency risk management policy to monitor and manage foreign currency risks.

Interest rate risk

The Group is exposed to cash flow interest rate risk relating to the variable rate bank balances and bank borrowings. The Group is also exposed to fair value interest rate risk in relation to the certain bank borrowings which are interest bearing at fixed interest rate. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk. The management of the Group maintains a balanced portfolio of fixed rate and variable rate borrowings.

Credit risk

As at 31 December 2023, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position. The Group's credit risk is primarily attributable to trade receivables arising from contracts with customers and deposits for purchase of raw materials and other receivables. In order to minimise the credit risk, the Directors have delegated the senior management to be responsible for determination of credit limits and monitoring procedures to ensure that follow-up action is taken to recover overdue debtors. The management of the Group performs impairment assessment on individual debtor basis to estimate the amount of expected credit loss ("**ECL**") of trade receivables based on internal credit ratings, ageing, collateral, repayment history and/or past due status of respective debtors and adjusted for forward-looking information. For deposits for purchase of raw materials and other receivables, the Directors have delegated the senior management to monitor the delivery progress and follow-up action is taken to recover from slow delivery materials and repayment. The management of the Group performs impairment assessment on the deposits for purchase of raw materials and other receivables individually. For bank deposits and balances, the management of the Group placed it in reputable banks with higher internal credit ratings with reference to either international or local credit-rating agencies, and ECL is insignificant. The Directors have the opinion that the Group have taken appropriate action to manage the credit risk.

Liquidity risk

The Group's management monitors the Group's cash flow positions on a regular basis to ensure the cash flows of the Group are closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available.

Capital commitments

As at 31 December 2023, the Group has no capital commitments (2022: approximately HK$9.8 million).

Future plans for material investments

Save as disclosed in the "Future Plans and Use of Proceeds" section of the Prospectus, the Group did not have other plans for material investments and capital assets.

Employee and emolument policies

As at 31 December 2023, the employee headcount (including Directors) of the Group was 174 (2022: 177) and the total staff costs, including directors' emoluments, amounted to approximately HK$25.0 million during the year ended 31 December 2023 (2022: approximately HK$24.0 million). The Group recruits and promotes individuals based on their performance and development potential in the positions held. In order to attract and retain high quality staff and to enable smooth operations within the Group, the Group offered competitive remuneration packages (with reference to market conditions and individual qualifications and experience) and various in-house training courses. The remuneration packages are subject to review on a regular basis. The emoluments of the Directors and senior management are reviewed and approved by the Board of the Company, having regard to the Company's operating results, market competitiveness, individual performance and achievement.

Contingent liabilities and litigation

As at 31 December 2023, the Group had no material contingent liabilities and litigation (2022: Nil).

Capital structure

As at 31 December 2023, the Company's authorised and issued share capital were HK$10,000,000 and HK$2,600,000 respectively. The number of its issued ordinary shares was 260,000,000 of HK$0.01 each.

There has been no change in the capital structure of the Group since the Listing Date and up to the date of this announcement. The capital of the Company only comprises of ordinary shares.

Treasury policies

The Group has adopted a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the reporting period. To manage liquidity risk, the management closely monitors the Group's liquidity position and maintain sufficient cash and cash equivalents, the availability of funding through an adequate amount of committed credit facilities and the ability to settle the payables of the Group.

Charge of assets

As at 31 December 2023, the Group had not pledged its land, buildings and machinery to secure the banking facilities granted to the Group (2022: Nil).

Charge of register

As at 31 December 2023, the Group had no charge of register.

Production capacity utilisation

For the year ended 31 December 2023, the Group sold approximately 0.2 million fkm of optical fibres and approximately 2.0 million fkm of optical fibre cables. The production capacity of optical fibres, optical fibre cables and optical cable cores were approximately 9.6 million fkm and 9.6 million fkm in FY2022 and FY2023 respectively.

The utilisation rate of optical fibres decreased from 31.8% to 17.3% from FY2022 to FY2023 and that of optical fibre cables and optical cable cores decreased from 49.9% to 33.2% from FY2022 to FY2023. Both Transtech Optical Communication Company Limited ("**Transtech**") and Futong Thailand have adjusted their production volume based on the sales order.

Asset turnover ratio (Revenue/Total asset)

The Group's revenue amounted to approximately HK$232.8 million in FY2022 and approximately HK$174.2 million in FY2023 while the Group's total assets amounted to approximately HK$610.2 million and approximately HK$517.1 million as of 31 December 2022 and 2023 respectively.

Hence, the Group's asset turnover ratio decreased from approximately 38.1% in FY2022 to approximately 33.7% in FY2023. This was mainly because of the degree of sales revenue drop approximately 25.2% and total asset reduction approximately 15.3% mainly due to the decrease of approximately 75.1% bank and cash balances as of 31 December 2023 and the impairment losses on property, plant and equipment and long-term prepayments approximately HK$28.2 million for the year ended 31 December 2023.

Future plans for material investments and capital assets

Save as the construction of the new factory in Thailand, the Group did not have other plans for material investments and capital assets.

Material acquisition and disposal of subsidiaries and affiliated companies

During the year ended 31 December 2023, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies.

Performance guarantees

During the year ended 31 December 2023, the Group did not have any performance guarantee given to or received from a connected person or an independent third party.

Post balance sheet events

The Directors are not aware of any other significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of approval of this announcement.

B. ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is dedicated to reduce its impacts to the environment from its factories and offices through mitigating the environmental pollutions and utilising resource efficiently. The Group strives to comply with related environmental laws and legislations, and continual improvement on its performance. The Company will attach the Environmental, Social and Governance Report in the Annual Report in compliance with the Appendix 27 of the Listing Rules.

C. KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group aims to maintain a good relationship with its employees, customers and suppliers. For more details on how it creates a motivated workplace for its employees, produce quality products to satisfy its customers' expectations and, establish long-term relationships with its suppliers, please refer details to the Environmental, Social and Governance Report in the Annual Report.

D. COMPLIANCE WITH LAWS AND REGULATIONS

During the year ended 31 December 2023, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

E. CONTINUING CONNECTED TRANSACTIONS

The Group has entered into certain continuing connected transactions ("**Continuing Connected Transactions**") with the connected person (as defined in the Listing Rules) of the Company. The Directors confirmed that the Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules. Details of the Non-fully Exempt Continuing Connected Transaction are shown as follows:

(1) Non-fully exempt continuing connected transaction

*Licensing of premises from Futong Group International Limited ("**Futong Group International**")*

During the seven years ended 31 December 2023, Transtech operated from the premises located at 3 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong (the "**Premises**") which was leased by Futong Group International from Hong Kong Science and Technology Parks Corporation ("**HKSTP**"). Futong Group International was owned by Mr. Wang Jianyi ("**Mr. Wang**"), the Controlling Shareholder, and Mr. He Xingfu ("**Mr. He**"), one of the executive directors, as to 90% and 10%, respectively as at the Listing date. On 9 March 2018, Mr. He transferred all his shares to Mr. Wang, and Mr. Wang became the sole shareholder of Futong Group International at the same date. Therefore, Futong Group International is a connected person of the Group.

On 20 October 2016, a licence agreement was entered into between Transtech and Futong Group International in relation to the Premises ("**Licence Agreement**"). The term of the licence is five years, from 1 July 2016 to 30 June 2021.

On 7 July 2021, the Licence Agreement was renewed for a term of one year commencing on 1 July 2021 and terminating on 30 June 2022 (both days inclusive) ("**FY2021 Licence Period**"). On 4 July 2022, the Licence Agreement was renewed for a term of one year commencing on 1 July 2022 and terminating on 30 June 2023 (both days inclusive) ("**FY2022 Licence Period**"). During both the FY2021 Licence Period and FY2022 Licence Period, the licence fee payable by Transtech to Futong Group International is HK$900,000.00 per month. On 4 July 2023, the Licence Agreement was renewed for a term of one year ended on 30 June 2024 ("**FY2023**"), the monthly finance fee HK$750,000 is payable by Transtech to Futong Group International. Management fee and maintenance charge (if any) payable under the lease in respect of the said premises will be paid by Futong Group International. On the other hand, government rent, government rates and other outgoings in respect of the said premises will be paid by Transtech. According to the two Licence Agreements, the licence fees are set out in the paragraph headed "Annual caps" below.

Actual transaction value

For FY2017, FY2018, FY2019, FY2020, FY2021, FY2022 and FY2023, Transtech has paid a sum of approximately HK$10.8 million, HK$11.9 million, HK$11.9 million, HK$8.9 million, HK$9.2 million, HK$10.8 million and HK$9.0 million respectively to Futong Group International, for its use of the Premises. For FY2020 and FY2021, Futong Group International waived three months rent in amount of HK$2,970,000 and HK$2,700,000 respectively to relieve the adverse impact from COVID-19.

Annual caps

The Group intends to continue to use the premises after the Listing. The Group will pay licence fee (inclusive of the management and maintenance charge (if any) payable under the head lease between HKSTP and Futong Group International (the "**Head Lease**") but exclusive of the government rent, government rates and other outgoings) in relation to the Premises ("**Licence Fee**") to Futong Group International for licensing the Premises. The annual cap of the Licence Fee for each of the six years ending 31 December 2023 in relation to the licensing of the Premises are set out below.

	Annual Caps for the year ended 31 December					
	2018	2019	2020	2021	2022	**2023**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	*HK$ million*	***HK$ million***
Licence fee	11.9	11.9	11.9*	11.9*	10.8	**9.9**

* Futong Group International waived licence fee from January to March in 2020 and October to December in 2021 to relieve the impact of COVID-19

Listing rules implications

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 concluded on 4 July 2023, on an annual basis, exceeds 5% but less than 25% and the aggregate rent is less than HK$10,000,000, 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.

Application for waivers

Pursuant to Rule 20.103 of the GEM Listing Rules, our Directors have applied for, and the Stock Exchange has granted to us, a waiver from strict compliance with the announcement requirement under Rule 20.33 of the GEM Listing Rules (i.e. Rule 14A.35 of the Main Board Listing Rules) in respect of such non-fully exempt continuing connected transaction, subject to the aggregate amount of each of the non-fully exempt continuing connected transaction for each financial year not exceeding the relevant annual caps as stated above.

Annual review

The independent non-executive directors have reviewed the continuing connected transactions conducted for the year ended 31 December 2023 and confirmed that such continuing connected transactions were carried out in the ordinary and usual course of business of the Group, were on normal commercial terms and were in accordance with the relevant agreement on terms that are fair and reasonable and in the interests of the shareholders as a whole.

The Company's auditor was engaged to report on the continuing connected transactions entered into by the Group in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the HKICPA.

Based on the results of the work performed, the auditor has issued a letter containing an unmodified conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules in confirming that:

a. nothing has come to their attention that causes them to believe that the continuing connected transactions have not been approved by the Board;

b. nothing has come to their attention that causes them to believe that the continuing connected transactions were not entered into, in all material respects, in accordance with the relevant agreement governing the transaction;

c. nothing has come to their attention that causes them to believe that the aggregate amount of each of the continuing connected transaction has exceeded the relevant annual cap as set by the Company.

The Company confirmed that the disclosure requirements for the continuing connected transactions have been complied with in accordance with Chapter 14A of the Listing Rules.

The Audit Committee has reviewed the Continuing Connected Transactions conducted for the year ended 31 December 2023 and the letter from the auditor with conclusions in respect of the continuing connected transactions set out above. On such basis, the Audit Committee was of the view that the continuing connected transactions were carried out in compliance with Chapter 14A of the Listing Rules.

F. RELATED PARTY TRANSACTIONS

Save as disclosed in section E headed "Continuing Connected Transactions" above, certain of these transactions also constitute connected transactions/continuing connected transactions under Chapter 14A of the Listing Rules. The Company confirmed that it has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

G. USE OF PROCEEDS

As the GEM Listing took place on 20 July 2017, part of the net proceeds from the Global Offering has been utilised by the Company during the seven years ended 31 December 2023. The Company intends to utilise such net proceeds as disclosed in the "Future Plans and Use of Proceeds" section of the Prospectus.

Progress on achievement of business objective and use of proceeds

Business strategies as stated in the prospectus	Proposed amount to be used *(HK$million)*	Actual amount utilised up to 31 December 2023 *(HK$million)*	Unused amount as at 31 December 2023 *(HK$million)*	Explanation
Approximately 80% of the net proceeds will be used for implementing the expansion plan of new production facility in Thailand, including the construction of a factory in Thailand.	73.4	73.4	0	The expansion plan for Futong Thailand's factory commenced in the second-half of 2018, however, it remained in the contract negotiation stage during most of the time in FY2018. The contract negotiation process was completed in January 2019 and the construction of the factory was commenced in first half of 2019. Based on the latest construction and implementation plan and barring unforeseeable circumstances, most of the machinery installation is expected to be completed by the end of FY2024.
Approximately 5% of the net proceeds will be used for strengthening the research and development capabilities and expanding the range of products.	4.6	0.3	4.3	The main reason for the delay in the use of proceeds for the research and development expenditure is that it depends on the change of market demand. For the period from the Listing Date to 31 December 2021, there are little change of customers' demand for new type of products. It is expected to utilize this proceeds by the end of FY2024.
Approximately 5% of the net proceeds will be used for enhancing the relationship with existing customers and exploring new customers in Hong Kong and the ASEAN.	4.6	3.9	0.7	In line of the business development in the ASEAN countries, it is estimated that most of the unused amount will be used in FY2024.
Approximately 10% of the net proceeds will be used as the general working capital and for general corporate purposes.	9.2	9.2	0	Fully utilized for factory rent and electricity fee in Hong Kong for the period from the Listing Date to 31 December 2017
Total	91.8	86.8	5.0	

As at 31 December 2023, approximately HK$9.2 million of the net proceeds from the Global offering has been utilised for settlement of payable for factory rent and utility fee in Hong Kong, approximately HK$3.9 million for developing customers relationship, approximately HK$0.3 million for research and development and approximately HK$73.4 million for the new factory construction in Thailand.

BUSINESS REVIEW

The global overall market was under pressure from the economic downturn in the face of repeated impacts of the increasing interest rate and the complex international market competition environment in 2023.

The year 2023 marks the fourth year of the issuance of licenses for the commercialisation of 5G in China. When the economy faces great downward pressure, digitalisation and informatisation will help promote the high-quality growth of the national economy. China made continuous efforts to vigorously strengthen the construction of telecommunication infrastructure such as networks and accelerate the construction of new infrastructure, including 5G, gigabit optical network and the Internet of Things ("**IoT**").

Global economic growth, reeling from the ongoing regional international conflict, high inflation, the crisis in the European and United States banking sectors and the United States debt ceiling, slowed in 2023. Meanwhile, the Chinese economy gradually recovered with the end of the strict anti-pandemic policy in 2023 and the normalisation of the economic and social development.

With the in-depth deployment of 5G and the maturity of mmWave technology, the Ministry of Industry and Information Technology released a circular on the adjustment of frequency use plan and radio management for microwave communications systems in January 2023, which for the first time included mmWave frequency band into the usage rules. Although the market was still stagnant in 2023, the market demand for mmWave is expected to increase significantly in the coming years.

The subsidiary company in Thailand continued the construction of the new factory building for business expansion but its commencement dated of production is estimated to be postponed to June 2024.

During the year ended 31 December 2023, the Group recorded:

- revenue decreased by approximately 25.2% to approximately HK$174.2 million (2022: approximately HK$232.8 million);

- gross profit decreased by approximately 41.5% to approximately HK$17.5 million (2022: approximately HK$29.9 million);

- total comprehensive expense for the year attributable to owners of the Company decreased by approximately 24.1% to an expense of approximately HK$62.6 million (2022: an expense of approximately HK$82.5 million); and

- the Company's basic loss per share to be approximately HK$0.25 (2022: loss approximately HK$0.27).

Performance analysis

For the year ended 31 December 2023, the Group reported its revenue of approximately HK$174.2 million (2022: approximately HK$232.8 million), representing a decrease of approximately 25.2% as compared to that of the same period in 2022. The gross profit margin of the Group decreased by approximately 2.8% to approximately 10.0% for the year ended 31 December 2023 as compared to a gross profit margin of approximately 12.8% for the year ended 31 December 2022.

During the year ended 31 December 2023, the Group recorded a loss attributable to the owners of the Company of approximately HK$64.2 million (2022: loss approximately HK$70.8 million) representing decrease of loss approximately 9.3%.

(i) Futong Thailand

The economies in the ASEAN countries were seriously hit by the sustained COVID-19 pandemic in 2022 but slowly recovered in 2023. As a result of the slow recovery in the market, the selling price is slightly decreased due to the decrease in demand and less expected credit losses for trade and other receivables were made, the sales decreased approximately 16.4% and net loss decreased approximately 5.5% as compared to that of the same period in 2022.

(ii) Transtech

As a result of the weak demand and the low price of in product, Transtech has reported its revenue and net loss in amount of approximately HK$22.1 million and HK$41.4 million respectively for the year ended 31 December 2023 (2022: revenue approximately HK$59.9 million and net loss approximately HK$48.1 million respectively), representing decrease of revenue approximately 63.2% and decrease of loss approximately 14.0%. Approximately 94.0% of Transtech's products were sold internally to Futong Thailand for the year ended 31 December 2023. The main reasons for the worse performance are mainly attributable to the problem of overproduction and the general downtrend of capital expenditure in China.

During the year ended 31 December 2023, Transtech has halted production in four months because of the significant decline in demand and Transtech sold most of its products, approximately 94.0% of the total sales revenue, to Futong Thailand. The directors will consider to modify the group operation mode to a vertical structure that Transtech sells most of its products to Futong Thailand to stabilize the supply of its raw materials.

OUTLOOK

In February 2023, the Central Committee of the Communist Party of China and the State Council issued the "Plan for the Overall Layout of Building a Digital China" (referred hereafter as the "**Plan**"). The Plan points out that building a digital China is an important engine for promoting Chinese-style modernization in the digital age. By 2025, the bases of a strongly coordinated integrated system that is horizontally and vertically linked should be formed, and the building of a digital China should see major progress. By 2035, China's level of digital development should rank among that of the world's leading nations.

At present, the global macro economy still faces risks. The development of the optical fibres and optical fibre cables industry is highly correlated with the amount and extent of investment made by telecommunications operators. However, building a digital China and the development of the digital economy are inseparable from the main arteries of infrastructure. As underlying infrastructure, optical fibres and optical fibre cables have entered a new cycle and the optical fibres and optical fibre cables industry see new opportunities for development. Optical fibres and optical fibre cables are an indispensable underlying infrastructure for expediting the synergistic construction of 5G networks and gigabit optical fibre networks. The Group will continue to seek opportunities for consolidation on the optical fibres and optical fibre cables industry chain, optimize the industry structure, seize opportunities for development in the communication market, promote the rapid development and breakthrough of optical devices. The Group will also enhance our ability to control the price of raw materials, thereby strengthening the Group's cost control and thus its competitiveness and profitability. While centering around the communication industry and expanding into relevant and diversified businesses as well as international businesses, the Group will pursue to explore new business growth points and adjust the business structure and market structure of our products business.

However, as the regional military conflict continues, there remain uncertainties in the price trends of bulk raw materials and the stability of logistics. Under the current market environment, optical fibres and optical fibre cables companies still encounter challenges and uncertainties in their operations. The Group will stay alert to the development of the matters mentioned above, continue to assess their impacts on the Group and take necessary measures to mitigate these impacts on our business. The Group will also endeavor to improve our competitiveness and market share with a view to generating sustainable rewards for our shareholders.

At the same time, we are improving customer understanding and connectivity, responding to the individual needs of overseas customers to improve the support rate of key customer relationship and business completion rate. In addition, the Group will further enhance operation efficiency and move from effectiveness to efficiency; improve the compliance system, strengthen internal control and prevent corporate risks; and precisely allocate resources to support the long-term development of the Group. The Group will leverage its extensive customer resources and management base to optimize its product structure and realize the development of the industrial chain, guided by market demand and industry trends. We will make new contributions to the high-quality development of the economy and society.

DIVIDENDS

The Board did not recommend a payment of any final dividend for the year ended 31 December 2023 (2022: Nil).

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Directors confirm that during the period from the Listing Date to 31 December 2023, the Company did not redeem its listed securities, nor did the Company or any of its subsidiaries purchase, cancel or sell any of such listed securities.

COMPLIANCE OF CODE OF CONDUCT FOR DIRECTORS' SECURITIES TRANSACTIONS

The Group has adopted a code of conduct regarding securities transactions by directors on terms no less exacting than the required standard of dealings set out in Appendix 10 to the Listing Rules. The Company has confirmed, having made specific enquiry of the Directors, that all the Directors have complied with the Code of Conduct from the Listing Date up to the date of this announcement.

COMPETING INTERESTS

As at 31 December 2023, save as disclosed in "Relationship with Controlling Shareholders" section of the Prospectus, none of the Directors, and the controlling shareholders of the Company and their respective close associates has any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the date of this announcement, the Company has maintained a sufficient public float during the year ended 31 December 2023.

PRE-EMPTIVE RIGHTS

There are no provision for pre-emptive or similar rights under the laws of Cayman Islands or the Articles which would oblige the Company to offer new shares on a pro-rata basis to the existing shareholders.

PERMITTED INDEMNITY PROVISION

Subject to the Hong Kong Companies Ordinance, every director is entitled under the Articles to be indemnified and secured harmless out of the assets of the Company from and against all actions, costs, charges, losses, damages and expenses may incur or sustain by reason of any act done, concurred in or omitted in or about the execution of their duty or supposed duty in their respective offices or trusts, except such (if any) as he or she shall incur or sustain through their own fraud or dishonesty.

The Company has maintained a directors and officers liability insurance for the year ended 31 December 2023. To the extent as permitted by the Hong Kong Companies Ordinance, a directors' liability insurance is currently in place to protect the Directors against potential costs and liabilities arising from claims brought against the Directors.

RELATIONSHIP WITH STAKEHOLDERS

The Group understands the importance of maintaining a good relationship with its key stakeholders, including its employees, customers and suppliers, to meet its immediate and long-term business goals. During the year ended 31 December 2023, there were no material and significant disputes between the Group and its employees, customers and suppliers.

The Group recognises employees as one of its valuable assets and strictly complies with the labour laws and regulations and reviews regularly the existing staff benefits for improvement. Apart from the reasonable remuneration packages, the Group also offers other employee benefits. The Group provides good quality services to its customers and keeps a database for direct communications with recurring customers for developing a long-term trusted relationship. The Group also maintains effective communication and develops a long-term business relationship with the suppliers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Company will attach the environmental, social and governance report in the Annual Report in compliance with the Appendix 27 of the Listing Rules.

DONATION

During FY2023, the Group did not make any donation for charitable purposes (2022: Nil).

ANNUAL GENERAL MEETING

The next annual general meeting ("**AGM**") of the Company will be held on 30 May 2024, the notice of which shall be sent to the shareholders of the Company in accordance with the Articles, the Listing Rules and other applicable laws and regulations.

CLOSURE OF REGISTER OF MEMBERS

In order to ascertain entitlements to attend and vote at the forthcoming AGM, the register of members of the Company will be closed from 27 May 2024 to 30 May 2024, both days inclusive, during which period no transfer of Shares will be registered.

Shareholders are reminded to ensure that all completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Boardroom Share Registrars (HK) Limited, 2103B, 21/F, 148 Electric Road, North Point, Hong Kong, not later than 4:30 p.m. on Friday, 24 May 2024.

EVENTS AFTER THE REPORTING PERIOD

The Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2023 and up to the date of approval of this announcement.

REVIEW OF FINANCIAL STATEMENTS

The Audit Committee of the Board comprises three independent non-executive directors. The Audit Committee of the Board has reviewed the accounting policies with the management of the Group, discussed with the Board the auditing, internal control, risk management and financial reporting matters and reviewed the final results and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

At the Board meeting held on 28 March 2024, the Board reviewed and approved, among other things, the publication of the 2023 Audited Annual Results of the Group for the year ended 31 December 2023.

AUDITOR

Deloitte Touche Tohmatsu ("**Deloitte**") resigned as the auditor of the Company with effect from 24 November 2023. RSM Hong Kong has been appointed as the new auditor of the Company with effect from 24 November 2023 to fill the casual vacancy occasioned by the resignation of Deloitte. Please refer to the announcement of the Company dated 24 November 2023 for further details.

RSM Hong Kong shall retire and a resolution for their reappointment as auditor of the Company will be proposed at the forthcoming annual general meeting.

SCOPE OF AUDITOR'S WORK ON ANNUAL RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

The Company's 2023 annual report will be despatched to the Company's shareholders on or before 30 April 2024 and will be available at the website of each of the Stock Exchange (www.hkexnews.hk) and the Company (www.transtechoptel.com).

By order of the Board
Transtech Optelecom Science Holdings Limited
He Xingfu
Chairman and Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the executive directors of the Company are Mr. He Xingfu, Mr. Ren Guodong, Mr. Xu Jinjie and Mr. Yin Zhou and the independent non-executive directors of the Company are Mr. Li Wei, Mr. Leong Chew Kuan, and Mr. Lau Siu Hang.