

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: 8465)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2018

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

GEM has been positioned as a market designed to accommodate 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. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, 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.

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This announcement, for which the directors (the “Directors”) of Transtech Optelecom Science 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 (the “GEM Listing Rules”) for the purposes of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

The board (the “Board”) of directors of Transtech Optelecom Science Holdings Limited is pleased to announce the unaudited consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months ended 31 March 2018, together with the comparative figures for the corresponding period in 2017 as follows:

CHARACTERISTICS OF THE GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)

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Financial Highlights

- The Group recorded a revenue of approximately HK\$142.8 million for the three months ended 31 March 2018 (three months ended 31 March 2017: approximately HK\$138.0 million).
- Profit attributable to the owners of the Company for the three months ended 31 March 2018 amounted to approximately HK\$36.3 million (three months ended 31 March 2017: approximately HK\$25.7 million).
- Basic earnings per share amounted to approximately HK\$13.97 cents for the three months ended 31 March 2018 (three months ended 31 March 2017: approximately HK\$13.19 cents).
- The Board does not recommend the payment of any dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: nil).

Financial Results

The board of directors (the “Board”) of Transtech Optelecom Science Holdings Limited (the “Company”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries (the “Group”) for the three months ended 31 March 2018 together with the comparative unaudited figures for the corresponding period in 2017 as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the three months ended 31 March 2018

	Notes	Three months ended 31 March	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	142,835	137,987
Cost of sales		(103,977)	(101,951)
Gross profit		38,858	36,036
Other income	4	1,285	445
Other gains	4	10,749	4,519
Selling and distribution expenses		(1,895)	(1,307)
Administrative expenses		(7,536)	(5,748)
Finance costs	5	(42)	(689)
Listing expenses		–	(4,326)
Profit before taxation	6	41,419	28,930
Income tax expense	7	(5,104)	(3,200)
Profit for the period		36,315	25,730
Other comprehensive income			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		10,376	7,172
Total comprehensive income for the period		46,691	32,902

Financial Results

	Notes	Three months ended 31 March	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit for period attributable to:			
Owners of the Company		36,315	25,730
Non-controlling interests		–	–
		36,315	25,730
Total comprehensive income for the period attributable to:			
Owners of the Company		46,691	32,902
Non-controlling interest		–	–
		46,691	32,902
Earnings per share			
Basic (HK cents)	9	13.97	13.19

Condensed Consolidated Statement of Changes in Equity

For the three months ended 31 March 2018

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (note)	Foreign exchange reserve HK\$'000	Accumulated profits HK\$'000	Equity attributable to the owners of the Company HK\$'000	Non- controlling interest HK\$'000	Total HK\$'000
At 1 January 2017 (Audited)	5	-	289,031	(21,245)	60,968	328,759	-	328,759
Profit for the period	-	-	-	-	25,730	25,730	-	25,730
Other comprehensive income	-	-	-	7,172	-	7,172	-	7,172
Total comprehensive income for the period	-	-	-	7,172	25,730	32,902	-	32,902
At 31 March 2017 (Unaudited)	5	-	289,031	(14,073)	86,698	361,661	-	361,661
At 1 January 2018 (Audited)	2,600	95,534	289,031	(1,302)	165,318	551,181	-	551,181
Profit for the period	-	-	-	-	36,315	36,315	-	36,315
Other comprehensive income	-	-	-	10,376	-	10,376	-	10,376
Total comprehensive income for the period	-	-	-	10,376	36,315	46,691	-	46,691
At 31 March 2018 (Unaudited)	2,600	95,534	289,031	9,074	201,633	597,872	-	597,872

Note: Other reserve represents (i) the contribution made by Futong Group Co., Ltd. ("Futong China"), an intermediate holding company, to the Group; (ii) the change in proportionate share of the carrying amount of the net assets of Transtech Optical Communication Company Limited ("Transtech") upon change in ownership interest without gaining or losing control; and (iii) share capital and share premium of Transtech and Futong Group Communication Technology (Thailand) Co., Ltd. ("Futong Thailand").

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

1. BASIS OF PREPARATION AND PRESENTATION

The Company was incorporated in the Cayman Islands on 6 September 2016, as an exempted company with limited liability under the Companies Law (as Revised) of the Cayman Islands. Its immediate holding company is Hong Kong Futong Optical Fiber Company Limited (“Futong HK”), a company incorporated in Hong Kong, and its ultimate holding company is Hangzhou Futong Investments Co., Ltd. (“Futong Investments”), a company incorporated in the People’s Republic of China. The Company’s shares have been listed on the GEM of the Stock Exchange since 20 July 2017 (the “Listing”).

Pursuant to a group reorganisation (the “Reorganisation”), the Company became the holding company of the subsidiaries now comprising the Group on 7 October 2016, the details of which are as set out in the prospectus issued by the Company dated 30 June 2017 (the “Prospectus”). As the Company and its subsidiaries have been under the common controls of Futong China historically and throughout the period prior to the completion of the Reorganisation, the Group resulting from the Reorganisation is regarded as a continuing entity. Accordingly, the unaudited condensed consolidated financial statements have been prepared on the basis as if the Company had always been the holding company of the Group throughout the three months ended 31 March 2017 under the principles of merger accounting in accordance with the Accounting Guideline 5 “Merger Accounting, Under Common Control Combinations” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). The unaudited condensed consolidated statement of profit or loss and other comprehensive income, and unaudited condensed consolidated statement of changes in equity for the three months ended 31 March 2017 includes the results and changes in equity of the companies now comprising the Group as if the current group structure had been in existence throughout the three months ended 31 March 2017.

The unaudited condensed consolidated financial statements of the Group are presented in Hong Kong dollars (“HK\$”), which is the functional currency of the Company, and prepared in accordance with Hong Kong Accounting Standards (“HKAS”) issued by the HKICPA, and the applicable disclosure requirements of the GEM Listing Rules. The preparation of this unaudited quarterly financial report requires management to make judgments, estimates and assumptions that affect the application of the policies and reported amount of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. The unaudited quarterly financial report was approved and authorized for issue by the Board on 11 May 2018.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

2. SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The significant accounting policies that have been used in the preparation of the unaudited condensed consolidated financial statements for the three months ended 31 March 2018 are consistent with those followed in the preparation of the Group's financial statements for the year ended 31 December 2017 included in the 2017 Annual Report.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

3. REVENUE AND SEGMENT INFORMATION

The Group determines its operating segments based on the reports reviewed by the chief operating decision maker (“CODM”) that are used to make strategic decisions. Information reported to the CODM is based on the business lines operated by the Group.

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 revenue and results

	Three months ended 31 March 2018			
	Optical fibre cables, optical cable cores and other related products HK\$'000	Optical fibres HK\$'000	Elimination HK\$'000	Combined HK\$'000
Revenue				
External sales	82,762	60,073	–	142,835
Inter-segment sales	–	26,692	(26,692)	–
Segment revenue	82,762	86,765	(26,692)	142,835
Segment results	6,505	35,345	107	41,957
Interest income				800
Unallocated corporate expense				(1,296)
Finance costs				(42)
Profit before taxation				41,419

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

	Three months ended 31 March 2017			
	Optical fibre cables, optical cable cores and other related products HK\$'000	Optical fibres HK\$'000	Elimination HK\$'000	Combined HK\$'000
Revenue				
External sales	91,448	46,539	–	137,987
Inter-segment sales	–	22,055	(22,055)	–
Segment revenue	91,448	68,594	(22,055)	137,987
Segment results	13,525	20,189	210	33,924
Interest income				37
Unallocated corporate expense				(16)
Finance costs				(689)
Listing expenses				(4,326)
Profit before taxation				28,930

The accounting policies of the operating segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of unallocated corporate expense, finance costs, listing expenses and income tax expense.

Inter-segment sales are charged at prevailing market rates

Furthermore, the assets and liabilities for operating segments are not provided to the Group's CODM for the purposes of resources allocation and performance assessment, and therefore no segment assets and liabilities information is presented.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

4. OTHER INCOME AND GAINS

	Three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Other income:		
Income from sales of scrap products	112	169
Bank interest income	800	37
Others	373	239
	1,285	445
Other gains:		
Foreign exchange gains	10,749	4,519
Gain on disposals of property, plant and equipment	–	–
	10,749	4,519

5. FINANCE COSTS

	Three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest on bank borrowings	42	689

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

6. PROFIT BEFORE TAXATION

	Three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Profit before taxation has been arrived at after charging:		
Auditor's remuneration	225	559
Depreciation of property, plant and equipment	4,688	4,390
Directors' remuneration	1,125	310
Other staff costs		
Salaries and other benefits	8,950	6,340
Retirement benefits scheme contributions	215	169
Total staff costs	10,290	6,819
Minimum lease payments under operating leases in respect of land and buildings	3,163	2,865

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

7. INCOME TAX EXPENSE

The amount of income tax charged to the profit or loss represents:

	Three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Hong Kong Profits Tax:		
Current Tax	5,254	3,517
Under provision in prior years	–	–
Deferred taxation	(150)	(317)
	5,104	3,200

Hong Kong Profits Tax is calculated at 16.5% on the estimated assessable profit arising in or derived from Hong Kong for both periods.

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 the 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 from the date on which the income is first derived from such operations (the “Exemption Period”). No income tax has been provided for both periods as Futong Thailand was operating within the Exemption Period.

8. DIVIDEND

No dividends were paid, declared and proposed by the Company during the current period (three months ended 31 March 2017: nil). The directors have determined that no dividend will be paid in respect of the current period.

Notes to the Unaudited Condensed Consolidated Financial Statements

For the three months ended 31 March 2018

9. EARNINGS PER SHARE

	Three months ended 31 March	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Earnings		
Profit attributable to the owners of the Company for the purpose of basic earnings per share (HK\$'000)	36,315	25,730
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic earnings per share (thousands)	260,000	195,000

The calculation of basic earnings per share for the three months ended 31 March 2018 is based on the profit for the period attributable to the equity holders of the Company, and the weighted average number of issued ordinary shares is 260,000,000.

The number of ordinary shares for the purpose of calculating basic earnings per share for the three months ended 31 March 2017 has been determined on the assumption that the Reorganisation and the capitalisation of 194,500,000 shares in preparation for the Listing ("Capitalisation Issue") had been effective on 1 January 2017.

No diluted earnings per share was presented as there were no potential ordinary shares in issue during the periods.

Management Discussion and Analysis

BUSINESS REVIEW AND PROSPECTS

The Group is principally engaged in manufacturing and sales of optical fibre cables with various standard specifications that are widely used in the telecommunications industry. To meet the requests from the customers, the Group also designs and manufactures specialty optical fibre cables including rodent resistant optical fibre cable, flame-retardant optical fibre cable and non-metallic optical fibre cable. In addition, we manufacture optical fibres for our production of optical fibre cables, as well as for sale to third parties. Furthermore, we sell optical cable cores and other related products, including power cable and other auxiliary products. Transtech and Futong Thailand are the two major operating subsidiaries of the Group. Transtech is mainly engaged in the manufacturing and sales of optical fibres, and its production facilities are located in Hong Kong. Futong Thailand is principally engaged in the manufacturing and sales of optical fibre cables, optical cable cores and other related products, and its production facilities are located in Thailand.

Futong Thailand has started the preliminary stage of development in the Association of Southeast Asian Nations (“ASEAN”) countries other than Thailand in the year ended 2017. We expect that more resources and efforts will be used to deepen the development in the various ASEAN local markets in the year ended 2018. Favourable government policies are still the strong driving factor to the development of the optical fibre cable market in Thailand and other ASEAN markets during the reporting periods. We believe that, being the largest optical fibre cable provider in Thailand, such policies provide significant growth potential to our business. Accordingly, we plan to utilise 80% of our net proceeds from the Hong Kong public offer and international offering (the “Global Offering”) on 20 July 2017 to expand our production facility to meet the future demand.

We believe that the stable supply of key raw materials both from ourselves and from our long-term business partners have contributed, and will continue to contribute to, our economies of scale and production cost reduction.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

For the three months ended 31 March 2018, total revenue of the Group increased by about 3.5% to approximately HK\$142.8 million as compared with the corresponding period in 2017.

The slight increase in total revenue for the three months ended 31 March 2018 was mainly due to (i) the increase of average selling prices of optical fibres and optical cable cores; (ii) increased sales volume of optical fibres as there were no sales of optical fibres to Futong Group Co., Ltd. and its subsidiaries (“Futong China Group”) during the three months ended 31 March 2017 until Transtech and Futong China entered into the written agreement (the “Optical Fibre Framework Sales Agreement”) on 16 June 2017 as set out in the director report in the 2017 annual report; (iii) increased sales volume of optical fibre cables as a result of our effort in expanding our optical fibre cables market to ASEAN countries. However, the increase mentioned above was partly offset during the three months ended 31 March 2018 by: (i) decreased sales volume of optical cable cores primarily due to fluctuation of market demand; (ii) preferential prices offered to our ASEAN customers in order to increase the market shares of optical fibre cables in ASEAN countries; (iii) decreased sales volume of the higher priced products: double sheathed cable and ADSS cable.

Cost of sales and gross profit

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, 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 three months ended 31 March 2018, the cost of sales of the Group increased slightly by about 2.0% to approximately HK\$104.0 million as compared with the corresponding period in 2017.

Management Discussion and Analysis

Such increase for the three months ended 31 March 2018 was mainly attributable to the net effect of (i) the increase of sales volume of optical fibres and optical fibre cables during the said periods; (ii) the average unit cost of optical cable cores increased mainly due to more sales of products with higher unit raw materials cost to meet customers' demand; (iii) decreased sales volume of optical cable cores; (iv) decreased production of double sheathed cable and ADSS cable resulting in the decrease in average unit cost of optical fibre cables.

The gross profit of the Group increased from approximately HK\$36.0 million, for the three months ended 31 March 2017 to approximately HK\$38.9 million for the three months ended 31 March 2018. The gross profit margin increased from approximately 26.1% for the three months ended 31 March 2017 to approximately 27.2% for the three months ended 31 March 2018. This is mainly because the gross profit margin of optical fibres for the three months ended 31 March 2018 slightly increased by approximately 1.4%, as compared with the corresponding period in 2017.

Other Gain and Losses

The Group's foreign exchange gain increased from approximately HK\$4.5 million for the three months ended 31 March 2017 to approximately HK\$10.3 million for the three months ended 31 March 2018 mainly due to the appreciation of Renminbi ("RMB") against Hong Kong Dollar ("HK\$") during the period.

Selling and distribution expenses

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

The Group's selling and distribution expenses increased from approximately HK\$1.3 million for the three months ended 31 March 2017 to approximately HK\$1.9 million for the three months ended 31 March 2018, representing an increase of approximately 46.2%.

The increase in the selling and distribution expenses for the three months ended 31 March 2018 was mainly due to (i) increase in staff cost as a result of increase in the headcount of sales and marketing department in Futong Thailand to develop the markets in ASEAN countries and (ii) increase in export cost as there was change of shipping term of sale of optical cable cores to a customer from CIF to DDF since July 2017.

Management Discussion and Analysis

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) operation management fee, (v) transportation expense, which comprises travelling expense and motor vehicle expense, (vi) professional fee, which comprises audit fee and legal and professional expense, and (vii) other expense, which comprises bank charges and miscellaneous expense.

The Group's administrative expenses increased from approximately HK\$5.7 million for the three months ended 31 March 2017 to approximately HK\$7.5 million for the three months ended 31 March 2018, representing an increase of approximately 31.6%.

The increase in the administrative expenses for the three months ended 31 March 2018 was mainly attributable to (i) increase in compliance cost incurred upon the Listing in July 2017, (ii) increase of director fee and (iii) the increase in staff cost as a result of salaries increment during the same periods.

Finance costs

Finance costs represent the interest expense on bank borrowings. The decrease for the three months ended 31 March 2018 was mainly due to the decrease in the bank borrowings outstanding during the said periods as compared with the corresponding periods in 2017.

Listing expenses

The Company started preparation work for the Listing in the third quarter of 2016. Listing expenses was approximately HK\$4.3 million for the three months ended 31 March 2017 and completely settled in the year ended 31 December 2017.

Management Discussion and Analysis

Profit for the period

Profit attributable to owners of the Company for the three months ended 31 March 2018 amounted to approximately HK\$36.3 million (three months ended 31 March 2017: approximately HK\$25.7 million).

The increase in profit attributable to owners of the Company for the three months ended 31 March 2018 was mainly attributable to the net effects of (i) the increase in gross profit; (ii) the increase in foreign exchange gain; (iii) no non-recurring Listing expenses incurred, (iv) increase in compliance cost incurred upon Listing, (v) increase of director fee and (vi) the increase in staff cost during the same periods.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group had no material contingent liabilities (31 December 2017: nil).

CHARGE OF ASSETS

As at 31 March 2018, the Group had pledged its land, buildings and machinery of approximately HK\$87.2 million (31 December 2017: approximately HK\$85.0 million) to secure the banking facilities granted to the Group. As at 31 March 2018, a charge was registered in the British Virgin Islands in relation to a bank facility with maximum limit of HK\$50 million.

FOREIGN CURRENCY RISK

Our Group's foreign currency exposures arise mainly from the exchange rate movements of the US\$ and Renminbi ("RMB") against Thai Baht ("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, any depreciation of RMB will also reduce the amount of our revenue in Hong Kong. Anyway, our Group has established a foreign currency risk management policy to monitor and manage foreign currency risks.

Management Discussion and Analysis

CAPITAL COMMITMENTS

As at 31 March 2018, the Group did not have any significant capital commitments (31 December 2017: nil).

SIGNIFICANT INVESTMENT HELD

Except for investments in subsidiaries, as at 31 March 2018, the Group did not hold any significant investment in equity interest in any other company.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the Listing Date and up to the date of this report, none of the Directors and chief executives of the Company had any interest or short position in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO) or which were required to be entered in the register maintained by the Company pursuant to section 352 of the SFO, or otherwise have been notified to the Company and the Stock Exchange pursuant to the standard of dealings by directors set out in Rules 5.46 to 5.67 of the GEM Listing Rules.

Management Discussion and Analysis

SUBSTANTIAL SHAREHOLDERS' INTEREST IN SHARES OR UNDERLYING SHARES OF THE COMPANY

So far as is known to the Directors, as at the Listing Date and up to the date of this report, the following persons, other than a Director or a chief executive of the Company, had interest or short position in the shares and/or the underlying shares which were required to be disclosed to the Company and the Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO as recorded in the register required to be kept under section 336 of the SFO:

Name of shareholder	Nature of interest	Number of shares held ⁽¹⁾	Approximate shareholding percentage
Mr. Wang Jianyi ("Mr. Wang") ⁽²⁾	Interest in a controlled corporation	195,000,000 (L)	75%
Futong Investments ⁽³⁾	Interest in a controlled corporation	195,000,000 (L)	75%
Futong China ⁽⁴⁾	Interest in a controlled corporation	195,000,000 (L)	75%
Hangzhou Futong Optical Communication Investments Co., Ltd. ("Futong Optical Communication") ⁽⁵⁾	Interest in a controlled corporation	195,000,000 (L)	75%
Futong HK	Beneficial interest	195,000,000 (L)	75%

Notes:

- (1) The letter "L" denotes a person's "long position" in such shares.
- (2) Our Company is directly owned as to 75% by Futong HK. Futong HK is owned as to 100% by Futong Optical Communication which is in turn owned as to 100% by Futong China. Futong China is owned as to 80% by Futong Investments. As Futong Investments is owned as to 100% by Mr. Wang, Mr. Wang is deemed to be interested in the same number of shares of the Company held by Futong HK under the SFO.
- (3) Our Company is directly owned as to 75% by Futong HK. Futong HK is owned as to 100% by Futong Optical Communication which is in turn owned as to 100% by Futong China. As Futong China is owned as to 80% by Futong Investments, Futong Investments is deemed to be interested in the same number of shares of the Company held by Futong HK under the SFO.
- (4) Our Company is directly owned as to 75% by Futong HK. Futong HK is owned as to 100% by Futong Optical Communication which is in turn owned as to 100% by Futong China. Therefore, Futong China is deemed to be interested in the same number of shares of the Company held by Futong HK under the SFO.
- (5) Our Company is directly owned as to 75% by Futong HK. By virtue of Futong Optical Communication's 100% shareholding in Futong HK, Futong Optical Communication is deemed to be interested in the same number of shares of the Company held by Futong HK under the SFO.

Management Discussion and Analysis

Save as disclosed above, as at Listing Date and up to the date of this report, the Directors were not aware of any other persons or companies who had any interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO.

DIVIDENDS

The Board did not recommend a payment of dividend for the three months ended 31 March 2018 (three months ended 31 March 2017: nil).

SHARE OPTION SCHEME

The Company has no share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the three months ended 31 March 2018 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the three months ended 31 March 2018, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's securities.

Management Discussion and Analysis

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 Rules 5.48 to 5.67 of the GEM Listing Rules. All Directors have confirmed that they have complied with the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules regarding directors' securities transactions from Listing Date to 31 March 2018.

COMPETING INTERESTS

As at 31 March 2018, 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 (as defined in the GEM Listing Rules) 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.

INTERESTS OF THE COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Innovax Capital Limited ("Innovax Capital"), as at 31 March 2018, except for the compliance adviser agreement entered into between the Company and Innovax Capital, neither Innovax Capital, nor any of its directors, employees or close associates (as defined in the GEM Listing Rules) had any interests in relation to the Company which are required to be notified to the Company pursuant to Rule 6A.32 of GEM Listing Rules.

AUDIT COMMITTEE

The Company has established an audit committee with the written terms of reference in compliance with the GEM Listing Rules. The audit committee consists of three independent non-executive Directors, namely Mr. Leong Chew Kuan, who has the appropriate accounting and financial related management expertise and serves as the chairman of the audit committee, Mr. Lau Siu Hang and Mr. Li Wei. The financial information in this report has not been audited by the auditor of the Company, but the audit committee has reviewed this report and has provided advice and comments thereon.

Management Discussion and Analysis

CORPORATE GOVERNANCE

The Company has adopted the principles and the code provisions set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 15 of the GEM Listing Rules and the Board is satisfied that the Company had complied with the CG Code from the Listing Date to 31 March 2018.

By Order of the Board
Transtech Optelecom Science Holdings Limited
Hu Guoqiang
Chairman

Hong Kong, 11 May 2018

As at the date of this report, the executive Directors are Hu Guoqiang, He Xingfu, Wei Guoqing, Xu Muzhong and Pan Jinhua; and the independent non-executive Directors are Li Wei, Leong Chew Kuan and Lau Siu Hang.

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

Hong Kong, 11 May 2018

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

This announcement, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this announcement is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this announcement misleading.

This announcement will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its publication and on the website of the Company at www.transtechoptel.com.