

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 REPORT

2023

5G

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Hu Guoqiang (*Chairman*)

(resigned with effect on 1 July 2023)

Mr. He Xingfu (*Chairman* & Chief Executive Officer*)

Mr. Xu Jinjie

Mr. Yin Zhou

Mr. Ren Guodong

* (newly appointed with effect on 1 July 2023)

Independent Non-executive Directors

Mr. Leong Chew Kuan

Mr. Lau Siu Hang

Mr. Li Wei

BOARD COMMITTEES

Audit Committee

Mr. Leong Chew Kuan (*Chairman*)

Mr. Lau Siu Hang

Mr. Li Wei

Remuneration Committee

Mr. Lau Siu Hang (*Chairman*)

Mr. He Xingfu

Mr. Yin Zhou

Mr. Leong Chew Kuan

Mr. Li Wei

Nomination Committee

Mr. Hu Guoqiang (*Chairman*)

(resigned with effect on 1 July 2023)

Mr. He Xingfu (*Chairman*)

(newly appointed with effect on 1 July 2023)

Mr. Xu Jinjie

Mr. Leong Chew Kuan

Mr. Li Wei

Mr. Lau Siu Hang

AUTHORISED REPRESENTATIVES

Mr. He Xingfu

Mr. Ho Cheuk Wai (*CPA*)

COMPLIANCE OFFICER

Mr. He Xingfu

COMPANY SECRETARY

Mr. Ho Cheuk Wai (*CPA*)

REGISTERED OFFICE

Windward 3, Regatta Office Park

PO Box 1350

Grand Cayman KY1-1108

Cayman Islands

HEADQUARTERS, HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

No. 3 Dai Kwai Street

Tai Po Industrial Estate

Tai Po

New Territories

Hong Kong

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited

2103B, 21/F, 148 Electric Road

North Point, Hong Kong

CORPORATE INFORMATION

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN CAYMAN ISLANDS

Ocorian Trust (Cayman) Limited
Windward 3, Regatta Office Park
PO Box 1350
Grand Cayman KY1-1108
Cayman Islands

AUDITOR

RSM Hong Kong
Certified Public Accountants
Registered Public Interest Entity Auditor
29th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong

PRINCIPAL BANKER

Industrial and Commercial Bank
of China (Asia) Limited
33/F, ICBC Tower
3 Garden Road
Central
Hong Kong

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road
Hong Kong

STOCK CODE

9963

COMPANY'S WEBSITE

www.transtechoptel.com

COMPANY PROFILE

Transtech Optelecom Science Holdings Limited (the “Company”) (stock code: 9963) (together with its subsidiaries, collectively referred to as the “Group”). The Company owns two major operating subsidiaries, namely Transtech Optical Communication Company Limited (“Transtech”) and Futong Group Communication Technology (Thailand) Co., Ltd. (“Futong Thailand”) in Hong Kong and Thailand respectively. The Group’s parent group (namely, Futong Group Co., Ltd. (“Futong China”), together with its subsidiaries, “Futong China Group” or “Parent Group”) has business operations in the PRC and its customers include major PRC telecommunications operators.

Transtech is principally 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.

In addition to the manufacturing and sales of optical fibre cables with various standard specifications that are widely used in the telecommunications industry, Futong Thailand also designs and manufactures specialty optical fibre cables pursuant to requests from our customers, including rodent resistant optical fibre cable, flame-retardant optical fibre cable and non-metallic optical fibre cable. Transtech manufactures optical fibres for Futong Thailand’s production of optical fibre cables, as well as for sale to third parties. Furthermore, the Group sells optical cable cores and other related products, including power cable and other auxiliary products.

The Group is highly regarded in the optical fibre and optical fibre cable products markets. The Group was awarded ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018 certificates in relation to manufacturing of optical fibre and optical fibre cable products. The Group believes that, by leveraging the Group’s strengths on product quality and research ability, the Group has successfully enhanced the Group’s product recognition in the market.

The Shares have been listed on the GEM of the Stock Exchange by way of the Global Offering since 20 July 2017 (the “Listing Date”) and then were successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) on 5 November 2020 (the “Transfer Date”). As of 31 December 2023, the Company had 260,000,000 issued shares.

FINANCIAL HIGHLIGHTS

Due to the decrease in revenue, the Group encountered difficulty in its business in 2023. The Group's operating results for the year ended 31 December 2023 were listed as follows:

- Total 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)
- Gross profit margin decreased by approximately 2.8% to approximately 10.0% (2022: approximately 12.8%)
- Total comprehensive expense for the year attributable to owners of the Company decreased by approximately 24.1% to expense of approximately HK\$62.6 million (2022: an expense of approximately HK\$82.5 million)
- The Board did not recommend the payment of final dividend (2022: Nil)

FIVE-YEAR FINANCIAL SUMMARY

RESULT

	For the year ended 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Revenue	174,208	232,753	155,945	262,623	370,763
Cost of sales	(156,743)	(202,893)	(136,451)	(220,016)	(286,096)
Gross profit	17,465	29,860	19,494	42,607	84,667
(Loss)/profit for the year	(64,222)	(70,820)	(87,321)	28,231	35,763

ASSETS AND LIABILITIES

	As at 31 December				
	2023 HK\$'000	2022 HK\$'000	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000
Non-current assets	265,362	369,397	380,642	295,927	283,928
Current assets	251,744	240,838	338,550	473,614	516,661
Non-current liabilities	556	753	1,398	5,330	10,504
Current liabilities	66,188	96,565	122,429	47,266	100,712
Net current assets	185,556	144,273	216,121	426,348	415,949
Net assets	450,362	512,917	595,365	716,945	689,373

The summary above does not form part of the audited consolidated financial statements.

CHAIRMAN'S STATEMENT



* The sixth annual general meeting after Listing was held on 2 June 2023

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors") of Transtech Optelecom Science Holdings Limited (the "Company") and its subsidiaries (collectively the "Group"), I am pleased to present the audited consolidated results of the Group for the year ended 31 December 2023.

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").

CHAIRMAN'S STATEMENT

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 date of production is estimated to be postponed to January 2025.

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
- 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 receivable 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 63.1% and decrease of loss approximately 13.9%. 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 optical fibre and optical fibre cable 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.

CHAIRMAN'S STATEMENT

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.

APPRECIATION

Lastly, on behalf of the Board, I would like to extend my sincere gratitude to our shareholders for their support to the Group. The management team and staff of the Group will be dedicated to fostering future business growth and optimising return to our shareholders.

He Xingfu

Chairman

Hong Kong, 28 March 2024

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 reasons for the decrease are mainly due to (i) the sales of optical fibres to one customer in Indonesia decreased approximately HK\$27.1 million from approximately HK\$28.4 million to approximately HK\$1.3 million and (ii) the aggregate sales of optical fibres cable to two customers in Thailand also decreased HK\$27.6 million from approximately HK\$33.1 million to HK\$5.5 million.

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, the decrease of optical fibre unit cost and increase of provision for inventories during the reporting period.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance costs represent the interest expense 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 RMB, THB, US\$ and HK\$; (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). Details of the bank borrowings are set out in Note 23 to the consolidated financial statements.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 authorized 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 report. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

Production Capacity Utilization

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 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 disposals of subsidiaries and affiliated companies

During the year ended 31 December 2023, the Group did not have any material acquisitions and disposals 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 report.

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 this report in compliance with the Appendix 27 of the Listing Rules.

MANAGEMENT DISCUSSION AND ANALYSIS

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 this 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. Wong 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 agreements governing the transactions;
- c. nothing has come to their attention that causes them to believe that the aggregate amount of each of the continuing connected transactions 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

Details of related party transactions of the Group during the year ended 31 December 2023 are set out in Note 30 to the Consolidated Financial Statements. Save as disclosed in section E headed "continuing connected transaction" 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 utilized 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.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Board is of the view that the Company has, for the year ended 31 December 2023, save for the deviation from the code provision A.2.1 applied the principles and complied with the applicable code provisions, and also complied with certain recommended best practices, of the Code on Corporate Governance Practices (the “CG Code”) as set out in Appendix 14 to the Listing Rules.

Code Provision A.2.1

Chairman and Chief Executive Officer

Since 1 July 2023, the posts of Chairman and Chief Executive Officer were combined and Mr. He Xingfu, the Chief Executive Officer assumed the role of the Chairman of the Board. This arrangement deviates from the code provision A.2.1 of the CG Code. The Board believes that vesting the roles of both the Chairman and the Chief Executive Officer in the same person can facilitate the execution of the Group’s business strategies and boost effectiveness of its operation. The Board further believes that the balance of power and authority for the arrangement will not be impaired and is adequately ensured by the Board which comprises experienced and high caliber individuals with sufficient number thereof being independent nonexecutive directors, which can provide sufficient checks to protect the interests of the Company and the shareholders. The Board is keeping this situation under review and will separate the role of Chairman and Chief Executive Officer when it is in the Company’s best interest to do so.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules (the “Model Code”). The Company, after making specific inquiries to all Directors, confirmed that all of them have complied with the required standards in the Model Code for the year ended 31 December 2023.

INSURANCE ON DIRECTORS’ AND OFFICERS’ LIABILITIES

The Company has arranged for liability insurance cover to indemnify the Board against liability for compensation arising from their corporate activities. Purchase of liability insurance can enhance the Company’s ability to reduce exposure to risks. The insurance coverage is reviewed by the Company on an annual basis. Save as disclosed, no permitted indemnity provision (whether made by the Company or otherwise) is in force for the benefit of one or more Directors.

PUBLICATION OF THE 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).

ANNUAL GENERAL MEETING

The AGM will be held on 30 May 2024 (Thursday) and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

CORPORATE GOVERNANCE REPORT

THE BOARD

Board Composition

Up to the date of this report, the Board comprises seven Directors, four of whom are executive Directors and the other three are independent non-executive Directors. Details of their composition by category are as follows:

Executive Directors

Mr. Hu Guoqiang (<i>Chairman</i>)#	(appointed as director on 6 September 2016, redesignated as executive director on 23 June 2017)
Mr. He Xingfu (<i>Chairman* & Chief Executive Officer</i>)	(appointed as director on 6 September 2016, redesignated as executive director on 23 June 2017)
Mr. Ren Guodong	(appointed as executive director on 1 July 2021)
Mr. Xu Jinjie	(appointed as executive director on 1 October 2022)
Mr. Yin Zhou	(appointed as executive director on 1 October 2022)

Independent Non-executive Directors

Mr. Lau Siu Hang	(appointed on 23 June 2017)
Mr. Li Wei	(appointed on 23 June 2017)
Mr. Leong Chew Kuan	(appointed on 23 June 2017)

resigned on 1 July 2023

* newly appointed on 1 July 2023

The Company has complied with Rule 3.10(1) of the Listing Rules to appoint at least three independent non-executive Directors, together with the requirements of Rule 3.10(2) of the Listing Rules stipulating that at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise. The Board considers that each independent non-executive Director is independent in character and judgment and that they all meet the specific independence criteria as required by the Listing Rules.

The Company has received from each independent non-executive Director an annual confirmation pursuant to Rule 3.13 of the Listing Rules and the Company still considers such Directors to be independent.

The details of Directors are set out in the section headed “Biographical Details of Directors and Senior Management” of this report. There are no family or other material relationships among members of the Board.

Number of Meetings and Directors’ Attendance

The Board has established three committees, namely, the audit committee (the “Audit Committee”), the remuneration committee (the “Remuneration Committee”) and the nomination committee (the “Nomination Committee”), on 23 June 2017 with delegated powers for overseeing particular aspects of the Company’s affairs. Each of the committees of the Company has been established with written terms of reference.

CORPORATE GOVERNANCE REPORT

The Board will conduct at least four regular meetings a year. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Company's articles of association (the "Articles"). The chairman of the Board also meets with the independent non-executive Directors at least once a year without the presence of the executive Directors. Notices and agendas of regular Board meetings are served to all Directors at least 14 days before convening the Board meeting. For all other Board and committee meetings, reasonable notice is generally given. All other schedules and the relevant information of each Board and committee meeting are generally made available to Directors or committee members at least three days in advance. The Board and each Director also have separate and independent access to the management whenever necessary.

During the year ended 31 December 2023, the Company held one Annual General Meeting, seven Board meetings, five Audit Committee meetings, one Remuneration Committee meetings, two Nomination Committee meeting and one meeting between the Board Chairman and the independent non-executive directors. All minutes of the Board meetings and meetings of Board committees were recorded in sufficient detail the matters considered by the Board and the decisions reached. Details of the attendance of Directors are as follows:

Name of Directors	Attendance/Number of Meetings					
	Annual General Meeting	Board Meeting	Audit Committee	Remuneration Committee	Nomination Committee	Chairman and INED Meeting
Executive Directors:						
Mr. Hu Guoqiang [#]	1/1	3/7	N/A	N/A	1/2	N/A
Mr. He Xingfu	1/1	7/7	N/A	1/1	1/2	1/1
Mr. Ren Guodong	1/1	7/7	N/A	N/A	N/A	N/A
Mr. Xu Jinjie	1/1	7/7	N/A	N/A	2/2	N/A
Mr. Yin Zhou	1/1	7/7	N/A	1/1	N/A	N/A
Independent Non-executive Directors:						
Mr. Leong Chew Kuan	1/1	7/7	5/5	1/1	2/2	1/1
Mr. Lau Siu Hang	1/1	7/7	5/5	1/1	2/2	1/1
Mr. Li Wei	1/1	7/7	5/5	1/1	2/2	1/1

The company secretary of the Company ("Company Secretary") attended all the scheduled meetings as shown in the above table to report matters arising from corporate governance, risk management, statutory compliance, accounting and finance.

[#] resigned on 1 July 2023

CORPORATE GOVERNANCE REPORT

ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

The Board is responsible for leadership and control of the Group. The Board oversees the Group's business operation, strategic development and financial performance. Directors of the Board take decisions objectively in the interests of the Group. All board members have a broad range of valuable business experience and competence to contribute to the Board.

The Board delegates the authority and responsibility for implementing day-to-day operations, business strategies and management of the Group's business to the executive Directors, senior management and certain specific responsibilities to the Board Committees (as defined below).

Practice and Conduct of Meetings

Schedules and draft agenda of each meeting are normally made available to Directors in advance. At least 14 days' notice should be given for a regular Board meeting. For other Board and committee meetings, reasonable notices are generally given.

Minutes of all Board meetings recording sufficient details of matters considered and decisions reached are duly kept by the Company Secretary at the meetings and open for inspection by the Directors.

The Articles contain provisions requiring Directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their close associates have a material interest.

Board papers together with all appropriate, complete and reliable information are sent to all Directors at least 3 days before each Board meeting or Audit Committee meeting to keep the Directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions.

Appointment and Re-election of Directors

According to Code provision A.4.1 of the CG Code, non-executive Directors shall be appointed for a specific term, subject to re-election. CG Code provision A.4.2 states that all Directors appointed to fill a casual vacancy shall be subject to election by shareholders at the first general meeting after appointment and that every Director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years. Each of the Directors is appointed for a specific term of three years and is subject to retirement by rotation at least once every three years. The Articles require that at each annual general meeting at least one-third of the Directors shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years.

In accordance with the Articles, Mr. He Xingfu, Mr. Ren Guodong and Mr. Li Wei shall retire from office, and, being eligible, offer themselves for re-election at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

DIRECTORS' CONTINUOUS PROFESSIONAL DEVELOPMENT

According to Code provision A.6.5 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Each newly appointed Director would receive an induction package covering the Group's businesses and the statutory and regulatory obligations of a director of a listed company.

All Directors have participated in continuous professional development and provided a record of training they received for the financial year ended 31 December 2023 to the Company.

The Company has also continuously updated the Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements, to ensure compliance and enhance their awareness of good corporate governance practices.

BOARD MEETING

The Board is committed to holding regular board meetings at least four times a year at approximately quarterly intervals. The Group establishes an effective communication among all the Directors.

The attendance record of each director at the above-mentioned board meeting and the annual general meeting held in 2023 has been set out below:

Name of Directors	Attendance/ Number of Board meeting	Annual general meeting held in 2023
Executive Directors:		
Mr. Hu Guoqiang (<i>Chairman</i>) #	3/7	1/1
Mr. He Xingfu (<i>Chairman* & Chief Executive Officer</i>)	7/7	1/1
Mr. Ren Guodong	7/7	1/1
Mr. Xu Jinjie	7/7	1/1
Mr. Yin Zhou	7/7	1/1
Independent Non-executive Directors:		
Mr. Leong Chew Kuan	7/7	1/1
Mr. Lau Siu Hang	7/7	1/1
Mr. Li Wei	7/7	1/1

resigned on 1 July 2023

* newly appointed on 1 July 2023

CORPORATE GOVERNANCE REPORT

BOARD COMMITTEES

The Board has established three committees, namely Audit Committee, Remuneration Committee and Nomination Committee (collectively, “Board Committees”), to oversee different aspects of the Group’s affairs and to assist in the execution of the Board’s responsibilities.

AUDIT COMMITTEE

The Company established the Audit Committee on 23 June 2017 with written terms of reference during the year ended 31 December 2023 in compliance with Rule 3.21 of the Listing Rules after listing in Main Board. The full terms of reference setting out details of the authority, duties and responsibilities of the Audit Committee is available on the websites of the Stock Exchange and the Company.

The Audit Committee will hold at least two meetings a year and will also meet the external auditor at least twice a year without the presence of the executive Directors. Terms of reference adopted by the Audit Committee are aligned with the Code Provisions set out in the CG Code.

During the year ended 31 December 2023, the Audit Committee held five meetings. Each committee meeting has been supplied with the necessary financial information of the Group for members to consider, review and access significant issues arising from the work conducted.

Names of members	Attendance/ Number of meetings
Mr. Leong Chew Kuan (<i>Chairman</i>)	5/5
Mr. Lau Siu Hang	5/5
Mr. Li Wei	5/5

REMUNERATION COMMITTEE

The Company established the Remuneration Committee on 23 June 2017 in compliance with Rule 3.25 of the Listing Rules during the year ended 31 December 2023.

Written terms of reference in compliance with paragraph B.1.2 of the CG Code have been adopted. The primary roles of the Remuneration Committee include, but are not limited to, (a) making recommendations to the Board on the policy and structure for the remuneration of all of the Directors and senior management personnel and on the establishment of a formal and transparent procedure for developing remuneration policy; (b) reviewing and approving the management’s remuneration proposals with reference to the Board’s corporate goals and objectives; and (c) making recommendations to the Board on the remuneration of non-executive Directors.

As at 31 December 2023, the Remuneration Committee consists of five members which comprises, two executive Directors, namely Mr. He Xingfu and Mr. Yin Zhou, and three independent non-executive Directors, namely Mr. Lau Siu Hang, Mr. Leong Chew Kuan and Mr. Li Wei. Mr. Lau Siu Hang is the chairman.

CORPORATE GOVERNANCE REPORT

The quorum of meetings of Remuneration Committee shall be any two members. The terms of reference of the Remuneration Committee are currently made available on the websites of the Stock Exchange and the Company. The Remuneration Committee will meet at least once a year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive Directors and senior management of the Group and other related matters. Terms of reference adopted by the Remuneration Committee are aligned with the Code Provisions set out in the CG Code.

During the year ended 31 December 2023, the Remuneration Committee held one meeting for reviewing the remuneration policy of the Company.

Names of members	Attendance/ Number of meetings
Mr. Lau Siu Hang (<i>Chairman</i>)	1/1
Mr. He Xingfu	1/1
Mr. Yin Zhou	1/1
Mr. Leong Chew Kuan	1/1
Mr. Li Wei	1/1

NOMINATION COMMITTEE

The Company established the Nomination Committee on 23 June 2017. As at 31 December 2023, the Nomination Committee consists of two executive Directors, namely Mr. He Xingfu and Mr. Xu Jinjie, and three independent non-executive Directors, namely Mr. Leong Chew Kuan, Mr. Li Wei and Mr. Lau Siu Hang. Mr. He Xingfu is the chairman.

Written terms of reference in compliance with A.5.2 of the CG Code have been adopted.

The primary roles of the Nomination Committee include, but are not limited to, (a) reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board at least annually and making recommendations on any proposed changes to our Board to complement our corporate strategy; (b) identifying individuals suitably qualified to become the Board members and selecting or making recommendations to the Board on the selection of individuals nominated for directorships; and (c) assessing the independence of the independent non-executive Directors.

CORPORATE GOVERNANCE REPORT

The quorum of meetings of the Nomination Committee shall be any two members. The terms of reference of the Nomination Committee are currently made available on the websites of the Stock Exchange and the Company. The Nomination Committee will meet at least once a year to review the structure, size and diversity of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for election at annual general meetings. Terms of reference adopted by the Nomination Committee are aligned with the Code Provisions set out in the CG Code. During the year ended 31 December 2023, the Nomination Committee reviewed the composition of the Board and the retirement and re-election of Directors. The Committee held two meetings during the year and the attendance records of the members at the meeting are set out below:

Names of members	Attendance/ Number of meetings
Mr. Hu Guoqiang (<i>Chairman</i>) #	1/2
Mr. He Xingfu (<i>Chairman</i>) *	1/2
Mr. Xu Jinjie	2/2
Mr. Leong Chew Kuan	2/2
Mr. Li Wei	2/2
Mr. Lau Siu Hang	2/2

resigned on 1 July 2023

* newly appointed on 1 July 2023

Nomination Policy

The Board has adopted the nomination policy (the “Nomination Policy”) which sets out the nomination criteria and procedures for the Company to select candidate(s) for possible inclusion in the Board. The Nomination Policy could assist the Company to achieve board diversity in the Company and enhance the effectiveness of the Board and its corporate governance standard.

When assessing the suitability of a candidate, factors such as the qualifications, skills, integrity and experience will be taken into consideration as a whole. In the case of independent non-executive Directors, they must further satisfy the independence criteria set out within Rule 3.13 of the Listing Rules. Since the selection of candidates should ensure that diversity remains a central feature of the Board, a range of diverse perspectives, including but not limited to gender, age, cultural and educational background, or professional experience would be considered.

The process to identify potential candidates for the Board would be as follows:

1. identifying potential candidates, including recommendations from the Board members, professional search firms and the shareholders of the Company;
2. evaluating the candidates based on the approved selection criteria through methods such as reviewing the resume and conducting the background checks;
3. reviewing the profiles of the shortlisted candidates and interview them; and

CORPORATE GOVERNANCE REPORT

4. making recommendations to the Board on the selected candidates. The Nomination Policy also includes the Board succession plan to assess whether vacancies on the Board would be created or expected due to the Directors' resignation, retirement, death and other circumstances and to identify candidates in advance if necessary. The Nomination Policy will be reviewed on a regular basis.

Board Diversity Policy

The Board adopted its Board Diversity Policy in June 2017. A summary of the policy is as follows:

In designing the Board's composition, board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, or professional experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Nomination Committee will disclose annually, in the corporate governance report, on the Board's composition under diversified perspectives (including gender, age, cultural and educational background, or professional experience), and monitor the implementation of this policy. The Nomination Committee will also review the diversity policy, as appropriate, to ensure the effectiveness of the diversity policy. The Nomination Committee will discuss any revisions which may be required, and recommend any such revisions to the Board for consideration and approval.

The Board plans to diversify its composition in respect of gender by the appointment of at least one female director by 31 December 2024.

EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

The statement of the external auditor of the Company on their reporting responsibilities for the Group's consolidated financial statements for the year ended 31 December 2023 is set out in the section headed "Independent Auditor's Report" in this report.

The fees paid/payable to the Company's external auditor in respect of audit and non-audit services for the year ended 31 December 2023 are as follows:

Nature of services	Amount (HK\$'000)
Total audit services	900
Total non-audit services	41
Total fees	941

CORPORATE GOVERNANCE REPORT

REMUNERATION OF DIRECTORS AND SENIOR MANAGEMENT

The Company has adopted full disclosure of remunerations of Directors with disclosure in Note 9 to the financial statements.

The remuneration of the member of senior management by bands in 2023 is set out below:

Remuneration bands	Number of individuals
Nil–HK\$1,000,000	1

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the results of operations and cash flows for that period. In preparing the consolidated financial statements for the year ended 31 December 2023, the Directors have selected suitable accounting policies and applied them consistently, made judgments and estimates that are prudent, fair and reasonable and prepared the financial statements on a going concern basis.

The Directors acknowledge their responsibility to prepare the consolidated financial statements as set out on pages 85 to 87 of this report. The statement of the external auditor about their reporting responsibilities on the consolidated financial statements is set out in the paragraph headed "Independent Auditor's Report" on pages 78 to 84 of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board has overall responsibilities for the establishment and maintenance of an adequate and effective risk management and internal control system to safeguard the Group's assets against unauthorized use or disposition, and to protect the interests of shareholders of the Company. Internal audit function of the Company has been carried out under the leadership of the Board and the Audit Committee.

During the year ended 31 December 2023 and up to the date of this report, the Board, through the Audit Committee meetings which were held five times during the year, conducted a review of the effectiveness of the internal control system of the Group covering all material controls, including financial, operational and compliance as well as risk management. The Board considers the Group's risk management and internal control is adequate and effective.

COMPANY SECRETARY

During the year ended 31 December 2023, the company secretary has duly complied with the relevant professional training requirement under Rule 3.29 of the Listing Rules.

COMMUNICATION WITH THE SHAREHOLDERS

Communication between the Company and its shareholders are achieved through various means including the convening of general meetings, the dispatch of annual reports, interim reports and circulars. The Chairman of the Board also proposes separate resolution for each substantive issue including re-election of Directors.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

Convening an extraordinary general meeting

Pursuant to Articles 64 of the Articles, an extraordinary general meeting ("EGM") may be convened by the Board on a written requisition of any one or more shareholders of the Company holding not less than 10% of the paid up capital of the Company carrying the right of voting at general meeting of the Company. The EGM shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene the EGM, the requisitionist(s) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) of the Company.

Enquiries put to the Board

Shareholders may send written enquiries or requests in respect of their rights to the principal place of business of the Company in Hong Kong for the attention of the company secretary.

DIVIDEND POLICY

The Board has adopted the dividend policy (the "Dividend Policy") which sets out the appropriate procedure on declaring and recommending the dividend payment of the Company. The Company takes priority to distributing dividends in cash and shares its profits with the shareholders of the Company. The dividend distribution decision of the Company will depend on, among others, the financial results, the current and future operations, liquidity and capital requirements, financial condition and other factors as the Board may deem relevant. The Board may also declare special dividends from time to time. The Dividend Policy will be reviewed on a regular basis.

INVESTOR RELATIONS

The Company establishes different communication channels with investors to update the latest business development and financial performance including the publication of interim and annual reports, the publishing and posting of notices, announcements and circulars on the website of each of the Stock Exchange (www.hkexnews.hk) and the Company (www.transtechoptel.com) in a timely manner in order to maintain a high level of transparency, and to ensure there is no selective disclosure of inside information.

CONSTITUTIONAL DOCUMENTS

In view of the recent amendments to the Listing Rules (update No. 134), a special resolution was approved at the annual general meeting held in June 2023 to adopt the proposed amendments to the amended and restated memorandum and articles of association of the Company and the new second amended and restated memorandum and articles of association was published on 2 June 2023.

Saved from the aforesaid event, there had been no other change in the Company's constitutional documents during the year ended 31 December 2023.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Transtech Optelecom Science Holdings Limited (the “Company” together with its subsidiaries, hereinafter to as the “Group”, “We” or “Us”) is pleased to present the Environmental, Social and Governance (“ESG”) report (the “Report”) of the financial year 2023 for the financial year from 1st January, 2023 to 31st December, 2023 (the “Year”) (the “ESG Report”). The ESG Report provides an overview on the Group’s sustainability performance and demonstrates its commitment to sustainable development.

The Report has been reviewed by the senior management and approved by the Board of the Directors (the “Board”). The Company owns two major operating subsidiaries, Transtech and Futong Thailand in Hong Kong and Thailand respectively. Transtech is principally 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.

REPORTING BOUNDARY

The ESG Report illustrates the Group’s overall performance in environmental and social dimensions and covers all principal operating activities of production factories, warehouses and offices in Hong Kong and Thailand. Compared with the reporting boundary of the ESG Report for the financial year from 1st January, 2023 to 31st December, 2023, there is no significant change in that of the ESG Report.

REPORTING FRAMEWORK

The ESG Report is prepared on the basis of Appendix 27 “Environmental, Social and Governance Reporting Guide” (“ESG Reporting Guide”) to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“HKEX”). The ESG Report has complied with all mandatory disclosure requirements and “comply or explain” provisions outlined in the ESG Reporting Guide.

REPORTING PRINCIPLES

In preparing this ESG Report, we complied with the three reporting principles stipulated in the ESG Reporting Guide — those are “materiality”, “quantitative” and “consistency”.

Materiality

This report follows the ESG Reporting Guide to carry out materiality assessment work. Our working procedures include: (i) identifying relevant ESG issues; (ii) assessing the materiality of the issues; and (iii) reviewing and confirming the assessment process and results by the Board of Directors of the Company (the “Board”). We report ESG matters based on the materiality assessment results. Details on materiality assessment work are disclosed in “Materiality Assessment” section of the ESG Report.

Quantitative

This report follows the ESG Reporting Guide and refers to applicable quantitative standards and conventions, and adopts quantitative methods to measure and disclose applicable key performance indicators. The measurement standards, methods, assumptions and/or calculation tools of the key performance indicators, the sources of the conversion factors used and the relevant environmental objectives are disclosed in the “Environmental Protection” section of the ESG Report.

Consistency

The preparation method of this year’s ESG Report is consistent with that of previous years, and any changes that may affect meaningful comparison with previous reports would be stated accordingly.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Balance

The Company shall fairly prepare the ESG Report and state in facts the positive and negative impact of the Group's business on the environment and society. This is to ensure that stakeholders can be provided with accurate information to make an appropriate assessment of the Group's performance.

FEEDBACKS

The Group welcomes stakeholders to share their feedback and opinions for the continuous improvement. Should you have any comments or suggestions to the ESG Report, please send to the Group at No. 3 Dai Kwai Street, Tai Po Industrial Estate, Tai Po, New Territories, Hong Kong.

OUR APPROACH TO ESG

Board Statement

The Group believes that sound ESG governance strategies and practices are the keys to enhancing its investment value, thereby bringing long-term returns for its stakeholders. The Board bears the responsibilities to oversee and review the Group's ESG strategies and reports, determines and evaluates the ESG risks of the Group, and ensures that relevant risk management and internal control systems are in place and operated effectively. The Board has delegated the authority to an ESG working group, which comprises senior management of the Group. ESG working group meetings have been held successfully during the Year. Through meetings and discussions, the ESG working group set and reviewed policies and guidelines to address environmental and social matters. Moreover, key performance indicators are closely monitored for the purpose of ensuring continuous improvement.

Furthermore, the Board is responsible for executing and evaluating the stakeholder engagement process. To gather the opinions of the Group's stakeholders on ESG issues, the Board has assigned a third-party ESG professional in conducting materiality assessment to identify issues that are likely to influence the business and our stakeholders. The issues would be reviewed and prioritised, and those with high significance to the Group and stakeholders are considered as material. The Board reviews and concludes the material ESG issues of the Group. Besides, the Board has developed engagement channels to maintain adequate communication with different stakeholders and keep abreast of stakeholders' concerns and expectations in ESG aspects.

In the aim of formulating and executing effective ESG policies and measures, the Board reviews the plans and execution of ESG-related work with respect to its targets and goals during regular meetings. The Group also shares its progress in ESG with different stakeholders, most notably through the Group's annual ESG Report. The Board will continue to seek opportunities to pursue improvement in ESG performance.

STAKEHOLDER ENGAGEMENT

Stakeholder engagement is an essential channel to identify significant ESG issues and set a cornerstone for the Group's long-term sustainable development. The Group has a regular dialogue with its stakeholders to ensure that it continues to meet their expectations and that its approach to sustainability remains relevant and consistent across its operations. Internal and external stakeholders which include customers, employees, shareholders and potential investors, the government and regulators, suppliers, landlords, media, contractors and banks are crucial to our business. Stakeholders' expectations, demands and feedbacks are worth investigating via utilising diversified communication channels for ESG improvements. The Group will keep stakeholders' concerns up-to-date through the following communication channels:

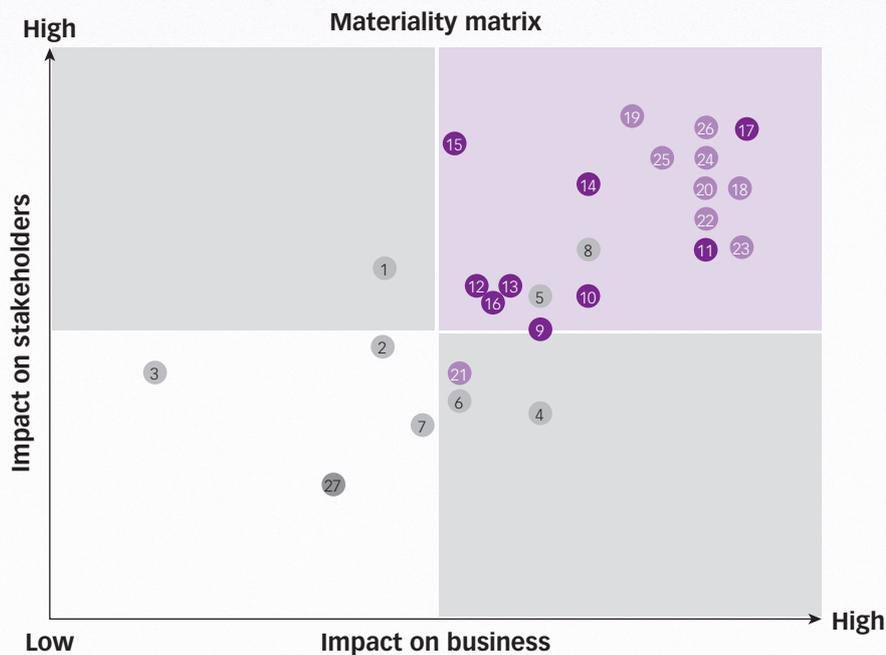
ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Concerns	Communication Channels
Customers	<ul style="list-style-type: none"> Product quality, price and delivery date Corporate financial performance/conditions Corporate reputation and brand image Market demand 	<ul style="list-style-type: none"> Telephone/email Customer quality evaluation form Customer visit Social media
Employees	<ul style="list-style-type: none"> Salaries and welfare; educational training; promotion opportunities Occupational safety; labour conditions; complaints 	<ul style="list-style-type: none"> Publications/notice boards in the offices Suggestion boxes/mail boxes/email
Shareholders and Potential Investors	<ul style="list-style-type: none"> Corporate financial performance/conditions Corporate dividends policy Corporate governance and integrity; risk management; laws and regulations compliance 	<ul style="list-style-type: none"> Annual and interim results announcements Annual report and interim report Corporate website Meeting with fund managers and analysts
Government and Regulators	<ul style="list-style-type: none"> Environmental pollution; product safety; energy conservation and emission reduction Labour conditions; laws and regulations compliance Economic contribution Anti-corruption 	<ul style="list-style-type: none"> Government website Official documents/meetings Written reports/visits Monitoring/inspection
Suppliers	<ul style="list-style-type: none"> Quality, price and delivery date Corporate financial performance/conditions 	<ul style="list-style-type: none"> Telephone/email Site visits Social media
Landlords	<ul style="list-style-type: none"> Customer flow Corporate financial performance/conditions Tenants mix 	<ul style="list-style-type: none"> Telephone/email Site visits
Media	<ul style="list-style-type: none"> Corporate governance Corporate reputation and brand image 	<ul style="list-style-type: none"> Press conferences/press releases Annual and interim results announcements Corporate website
Contractors	<ul style="list-style-type: none"> Quality, price and delivery date Laws and regulations compliance 	<ul style="list-style-type: none"> Telephone/email Site visits
Banks	<ul style="list-style-type: none"> Corporate financial performance/conditions Corporate dividends policy Corporate governance and integrity; risk management; laws and regulations compliance 	<ul style="list-style-type: none"> Telephone/email Annual and interim results announcements Annual report and interim report Corporate website Update meetings

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

MATERIALITY ASSESSMENT

We have identified ESG matters that may have an impact on, or that may pose a risk, its business in high-, medium- and low materiality issues that are important to our stakeholders, including not limited to, our customers, and employees, are also crucial to us. The Group has identified ESG issues that have potential or actual impact on its sustainable development from various sources, such as our internal policies, industry trends, previous ESG reports, and the Sustainability Accounting Standards Board’s Materiality Map¹. We have analysed the ESG matters regarding an array of factors, including overall strategies, development, goals, and targets. As such, we have conducted a materiality assessment to rate the identified ESG issues and their impacts that are pertinent to us and our stakeholders. The ESG matters are prioritised as follows:



ENVIRONMENT	LABOUR	OPERATION	COMMUNITY
1 Air emissions	9 Labour rights	18 Customer satisfaction	27 Community investment
2 Greenhouse gas emissions	10 Labour relations	19 Customer service quality and complaint handling	
3 Climate change	11 Employee retention	20 Customers’ health and safety	
4 Energy efficiency	12 Diversity and equal opportunity	21 Compliance with regulations on marketing and product and service labelling	
5 Use of water resources and effluent discharge	13 Nondiscrimination	22 Intellectual property	
6 Use of materials	14 Occupational health and safety	23 Protection of customer privacy and information	
7 Waste management	15 Employee training	24 Responsible supply chain management	
8 Environmental compliance	16 Employee development	25 Business ethics	
	17 Prevention of child labour and forced labour	26 Socio-economic compliance	

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A1. Emissions

During the Year, the Group was not aware of any material non-compliance with laws and regulations in Hong Kong and Thailand related to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and nonhazardous waste, that would have a significant impact on the Group.

The Group also continues to focus on regulating the Group's environmental management by establishing an environmental management system for the Group's subsidiaries, which complies with the ISO14001: 2015 Environmental Management System certification.

Since the production process may affect the environment, we focus on strengthening environmental protection measures to comply with relevant local laws and regulations and implement environmental policies. Through continuous enhancement of measures and promoting clean production to reduce the emission of pollutants, the Group commits itself to fulfilling the responsibility for ecological and environmental protection during its pursuit of economic benefits.

The supervisors of the Group will strictly supervise the implementation of the above measures, comply with the relevant environmental protection policies, and ensure that all operational processes meet the relevant laws and regulations. Supervisors at all levels will continue their supervision and submit reports to the management with proposed suggestions. If there is an emergency affecting the environment during the production process, supervisors at all levels may immediately implement the response plans to prevent further effects and report to the management in a timely manner in order to coordinate the work.

Exhaust Gas Emissions

Exhaust gas emissions generated from business operations of the Group mainly include nitrogen dioxide (NO₂), sulphur dioxide (SO₂) and particulate matter (PM), the major source of which are vehicle exhaust gas and the level of relevant gas emissions generated by the Group during production is not material. To reduce the exhaust gas emissions from the abovementioned source, the Group has formulated related policies and implemented various reduction measures.

The following table summarises the exhaust gas emissions of the Group:

Exhaust Gas Category	2023 Total Emissions (in Kg)	2022 Total Emissions (in Kg)
Nitrogen oxides (NO _x)	92.61	148.85
Sulphur oxides (SO _x)	0.72	0.72
Particulate Matter (PM)	8.70	13.43

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

We have adopted the following measures to reduce exhaust gas emissions generated from emission of vehicles:

- Switch off the engine whenever the vehicle is idling;
- Use unleaded fuel and low sulphur content fuel in accordance with laws and regulations;
- Phase out substandard vehicles in accordance with government emission policies and standards;
- Plan routes in advance to optimise fuel consumption;
- Provide maintenance services to vehicles on a regular basis to ensure engine performance and efficient use of fuels; and
- Optimise operational procedures to increase the loading rate and reduce the idling rate of vehicles.

We have implemented the following measures to reduce industrial exhaust gas emissions:

- Enhance facilities management and maintain treatment facilities on a regular basis to keep the facilities in normal operation;
- Prioritise the adoption of clean production techniques with energy efficiency and reduce exhaust gas emissions; and
- Review the safety and environmental performances of production equipment on a regular basis, and select advanced production machinery and equipment.

By adopting the abovementioned measures, the Group's concentration of industrial exhaust gas emissions met the emission limits as required by the local government during the Year.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Greenhouse Gas Emissions

Throughout the Reporting Period, the Group's business operations contributed to Greenhouse Gas ("GHG") emissions of 3,225.52 tonnes of carbon dioxide equivalent ("tCO₂eq."), mainly carbon dioxide and nitrous oxide. The overall intensity of the GHG emissions of the Group was 0.10 tCO₂eq./m² (2022: 0.15) with reference to the total floor area of the Group's business operations, or 18.75 tCO₂eq./employee (2022: 27.61) with reference to total number of employees. In view of the business nature of the Group as a high-tech product provider, a significant amount of purchased electricity was consumed for its daily operations which accounts for 96.15% (2022: 97.43%) of total GHG emission.

Scope of Greenhouse Gas Emissions	Emission Sources	GHG Emission (in kgCO ₂ eq.)		Total GHG Emission (in percentage)	
		2023	2022	2023	2022
Scope 1 Direct Emission					
Combustion of fuels in mobiles sources	Petrol	123.88	125.65	3.85%	2.57%
Scope 2 Energy Indirect Emission					
Purchased electricity	Electricity	3,101.64	4,761.70	96.15%	97.43%
TOTAL		3,225.52	4,887.35	100%	100%

Note1: Emission factors were made by reference to Appendix 27 to the Main Board Listing Rules and their referred documentation as set out by Hong Kong Exchanges and Clearing Limited, unless stated otherwise.

Note 2: Margin emission factor of 0.51 kgCO₂/kWh (2022: 0.51) and 0.462 kgCO₂/kWh (2022: 0.462) were used for purchased electricity in Hong Kong and Thailand respectively.

Pollutants Management

To minimise the GHG emissions, the Group has proactively implemented the following measures:

- Actively adopting environmental conservation and water-saving measures, which are referred in the sections headed "Energy Consumption" and "Water Consumption" of Aspect A2;
- Actively adopting paper-saving measures, which are referred to in the section headed "Waste Disposal" of this Aspect;
- Actively promoting the greenery of production plants, which is referred in the section headed "Plant Afforestation" of Aspect A3;
- Reducing the emission of vehicles, which are referred to in the section "Exhaust Gas Emissions" of this Aspect; and
- Business trips are minimised and are replaced by video conferences, online meetings and other electronic communications.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Wastes Management

The Group has carried out waste segregation processes to facilitate further waste management processes and ensure proper disposal complying with statutory and regulatory regulations. Measures have been taken to ensure proper handling of waste. We conduct staff training to ensure appropriate handling of waste and promote the sense of recycling. Moreover, the categories and amounts of waste disposed of are recorded in the waste disposal system for further analysis and audit trail. In FY2023, the major hazardous waste produced by the Group was non-halogenated solvents which amounted to 0.2 tonnes (2022: 0.2 tonnes), as well as waste oil including printing ink and engine oil which amounted to 0.2 tonnes (2022: 0.27 tonnes). All of them were collected and handled according to the Waste Disposal Ordinance of Hong Kong and other relevant laws and requirements and were subsequently transported to qualified suppliers for disposal, thus preventing further pollution resulting from improper treatment.

Furthermore, the Group is committed to enhancing awareness of waste sorting and recycling among employees. Recycling bins have been placed in production and living areas to improve recycling rates of recyclable waste. Besides, offices and factories have been reminded to avoid printing single-sided paper for the purpose of paper utilisation.

In FY2023, the details of the non-hazardous waste management in the Group's factories in Hong Kong and Thailand are listed with last year's comparative figures as follows:

Category of the non-hazardous wastes	Amount Produced (tonnes)		Amount recycled (tonnes)		Recycling rate	
	2023	2022	2023	2022	2023	2022
Metal compounds	10.20	24.80	9.80	24.20	89.00%	97.58%
Glass rod	0.00	6.32	0.00	0.00	0.00%	0.00%
Paper	12.70	7.43	12.20	7.01	96.3%	94.43%
Plastics and plastic compounds	33.90	15.56	30.30	7.40	89.00%	47.55%
Scrapped optical fibres and optical fibre cables	36.01	51.07	32.00	36.40	96.00%	71.27%
Wood	9.51	14.30	0.00	0.00	0.00%	0.00%

Note 1: Given that there is lack of recycling service providers for scrapped optical fibres and glass rod in Hong Kong, the Group has not been able to undertake any recycling of scrapped optical fibres and glass rod in Hong Kong. However, we will devote effort to formulating recycling plans that are in line with the environment benefits.

Note 2: The Group has not been able to find out any qualified local wood recycling service providers so far and will continue to identify the capable recycling service providers so as to ensure proper treatment of the recycled wood.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group strives to reduce and recycle waste, through the adoption of different measures during daily operations. The Group has developed a number of measures to properly control the generation of waste at source, including but not limited to:

- Conducting regular staff environmental education and promotion, and encouraging reusing and recycling;
- Standardising the collection of scraps generated from production processes and passing them to relevant companies for recycling and processing into raw materials, achieving waste recycling; and
- Sorting, recycling and reusing waste generated by each department and factory according to the relevant waste management system of the Group in order to reduce demand for disposal.

The Group has implemented the following measures to minimise consumption of paper during its operations:

- Employees are required to use double-sided copying or printing;
- Dissemination of documents, general business notices, and data transmissions through the online system is encouraged to minimise copying of documents;
- Waste paper generated from the operation of the Group will be centrally collected and recycled by the administrative department and offices, while the use of paper is under regular supervision; and
- Posters are attached on show windows, and electronic pamphlets about the Group are delivered to relevant personnel and customers, rather than delivering paper pamphlets for publicity and promotion purposes, so as to reduce paper waste.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

A2. Use of Resources

The Group continues with initiatives to introduce resource efficiency and eco-friendly measures to the Group's operations, and is committed to optimising the use of resources in all of its business and production operations.

The entire operations involve consumption of fuel, electricity, and water. We are committed to improving the efficient use of resources so as to reduce our carbon footprint. We closely monitor and evaluate the amounts of electricity and water consumed by collecting monthly consumption data. We carry out investigations for any abnormal or excessive consumption to find out the reason and look for rectification measures. We will continue to identify opportunities to consume less during our operations in the future.

Resource Consumption

To reduce energy consumption and exhaust emissions, and improve the sustainability of productions and operations, the Group continues to implement management rules and regulations with respect to energy conservation and emission reduction.

We evaluate the energy consumption of equipment before purchase, and avoid the use of equipment with low energy efficiency. We monitor the energy consumption of equipment after installation and commissioning operation, and request suppliers to adjust the equipment if the requirements of energy consumption are not satisfied; unsatisfying equipment will be returned as well. Furthermore, we renovate the equipment with large energy consumption, low efficiency, obsolescence and backwardness used at our plant for energy-saving purposes, such as installing a variable frequency controller to replace the fixed frequency controller at our production plant, as well as reducing electricity consumption. We have also formulated the operating procedures for production facilities, as well as regular maintenance policies, so that all environmental facilities operate in good conditions during the production process and energy will be conserved.

In addition to selecting and managing equipment, the Group formulated conservation management requirements for daily energy and resource consumption by our employees during production processes. For example:

- Electrical facilities at the production sites such as fans should be turned off if not in use;
- The lighting systems at our production plant are replaced from traditional light bulbs with LED lights or low- power bulbs;
- All department heads have to regulate the use of lighting power in the office area by ensuring all lights and air-conditioners are turned off after all employees leave the office;
- Computers have to be turned off if they are not in use for a long time; and
- Street lighting in the production plant shall be set based on seasonal changes.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The energy, water and packaging materials consumption of the Group during the year ended 31 December 2023 and 31 December 2022 are as follows:

(a) Energy

The Group's operations involve different types of energy use, including non-renewable energy sources such as diesel and gasoline. At the same time, it would also purchase electricity from the third party to support the operation of network systems and other equipment and systems. To reduce the impact of daily operations on the environment, the Group has formulated relevant internal policies and measures such as "Regulations for Boiler Operation and Management" to achieve the goals of electricity saving and efficient resource consumption, as well as supervising the implementation of energy relevant policies and measures.

Energy	Amount used		Intensity of energy usage	
	2023	2022	2023	2022
Purchased electricity	6,471,110 kWh	9,823,024 kWh	7.7674 kWh per km of fibre	2.5000 kWh per km of fibre
Diesel	27,140 litres	30,623 litres	0.032577 litres per km of fibre	0.007793 litres per km of fibre
Lead-free gasoline	18,717 litres	15,768 litres	0.22467 litres per km of fibre	0.0040114 litres per km of fibre

(b) Water

The Group's water consumption mainly comes from the groundwater in the plants and tap water for domestic use in the staff dormitories. During the Reporting Period, the Group's water consumption was 21,121 m³, showing a slightly decrease from the previous year.

Water Consumption	Amount used		Intensity of water usage	
	2023	2022	2023	2022
Purchased water	21,121 m ³	23,686 m ³	0.025352 m ³ per km of fibre	0.006026 m ³ per km of fibre

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

(c) *Use of Packaging Materials*

The Group consumed 22.19 tonnes (2022: 44.01 tonnes) of optical fibre spools, 9.16 tonnes (2022: 21.26 tonnes) of cardboard boxes and 595.00 tonnes (2022: 650.50 tonnes) of wooden planks for the use of packaging materials in FY2023.

The use of biodegradable and recyclable packaging materials has demonstrated our commitment to minimising unnecessary packaging materials. We have actively cooperated with customers and recyclers regarding the recycling and treatment of packaging materials such as cardboard boxes and optical fibre trays. During the Reporting Period, we recycled 0.00 tonnes (FY2022: 0.00 tonnes) of optical fibre trays (note: the trays were too broken for recycling) and 1.27 tonnes (FY2022: 1.81 tonnes) of paper boxes. We also consume papers in our office for our clerical work. To mitigate the environmental impacts of material consumptions, we implement the following practices in office and site projects:

- We purchase reusable products such as refillable pens and rechargeable batteries.
- We promote digitalization on clerical works by avoid faxes and unnecessary printing and photocopying to reduce the paper consumption.
- We avoid the use of materials that may lead to severe pollution or harmful impact on the Environment.

Resource Conservation

The Group emphasises the importance of maintaining sustainable development of the environment in its daily operation. The Group has adopted the following energy and water conservation measures in offices and plants:

Energy Conservation:

- To fully utilise natural lighting during the day time
- To switch off unnecessary lighting and idle electronic equipment
- To set electronic equipment such as computers, photocopier and air purifier, to energy-saving mode
- To set the air-conditioning temperature within a range of 23-25°C in order to save energy
- To install highly energy-efficient electronic equipment and consider its energy labels during the procurement process
- To carry out regular maintenance and cleaning solar panels to maximise power generation efficiency

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Water Conservation:

- To examine the faucets and water dispensers for leakages on a regular basis
- To put up water-saving signs in the lavatories to remind employees to conserve water
- To educate and promote employees to use faucets with water conservation label at home

A3. The Environment and Natural Resources

The Group pursues the best practice with the environment and focuses on its impact on the environment and natural resources from its business operation. In addition to complying with environmental related regulations to appropriately protect the natural environment, the Group has integrated the concept of environmental protection into its internal management and daily operational activities and is committed to achieving environmental sustainability.

(i) *Plant Afforestation*

Apart from optimising productions and operations, the Group also makes an effort to promote greenery of production plant. Through greening of plant areas, the Group purifies the air within the plant premises, lowers the noise level, and enhances its image. In addition, our employees can enjoy a good working environment, and therefore improving their enthusiasm at workplaces.

(ii) *Noise Control*

Our manufacturing process did not make much noise to the surrounding areas and we normally adhere to the regular production working at daytime and seldom have operation at night-time and any time on general holidays (including Sunday). Hence, our production complied with noise emissions standards.

(iii) *Bio-diversity*

We have no plan for factory expansion currently which poses threat to natural habitat and bio-diversity. Our factories in Hong Kong and Thailand were well developed in the industrial clusters where we can reduce our negative impact to the environment and avoid bio-diversity damage. Also, we continuously invest in environmentally friendly manufacturing technologies and products in our existing manufacturing plants and the additional new plant in Thailand with an aim of conserving natural environment.

(iv) *Sewage Management*

In case of occurrence of sewage discharge, we would report it immediately and deploy applicable treatment to minimize contaminants before discharge. Although we do not generate significant sewage in our manufacturing operations, we still take the initiatives to comply with relevant laws and regulations by actively monitoring and preventing the possibility of generating sewage.

A4. Climate Change

The Group recognises the importance of identifying and mitigating significant climaterelated issues, pays close attention to the potential impact of climate change on the Group's business and operations, and is committed to managing the potential climate-related risks which may impact the Group's business activities. According to the reporting framework developed by the Taskforce on Climate-Related Financial Disclosures, climate-related risks are divided into physical and transition risks. The Group has established a risk management policy to identify and mitigate climate-related risks.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Physical Risks

The increased frequency and severity of extreme weather events, such as typhoons, storms, heavy rains and extreme cold or heat, will pose immediate and long-term physical risks to the Group's business. These events could threaten the personal safety of our employees and damage the power grid or communication infrastructure, resulting in reduced capacity and productivity, or exposing the Group to the risk of nonperformance and delayed performance, which will have a direct negative impact on the Group's revenue.

To minimise potential risks and hazards, the Group has taken countermeasures, including flexible work arrangements and precautionary measures in severe or extreme weather conditions. We will explore contingency plans to further avoid damage to our facilities due to extreme weather events, in a bid to improve business stability.

Transition Risks

Stricter environmental laws and regulations may expose companies to higher claims and litigation risks, which may require additional compliance costs and impact the Group's reputation.

In line with the global vision of carbon neutrality, the Group expects changes in regulations, technologies and market patterns as a result of climate change, including the tightening of national policies and listing rules and the derivatives of environment-related taxes.

In response to policy and legal risks as well as reputational risks, the Group continuously monitors any changes in laws or regulations and global trends in climate change to avoid increased costs, fines for noncompliance or reputational risks due to slow responses. In addition, the Group has been taking comprehensive measures to protect the environment, including measures aimed at reducing greenhouse gas emissions and setting targets to gradually reduce our energy consumption and greenhouse gas emissions in the future.

Opportunities

On the other hand, climate change may bring opportunities to the Group. As climate change may lead to changes in preferences for sources of energies, it is a favourable opportunity for the Group to commit as an environmentally friendly energy user. Following this trend, the Group may consider to replace the existing fossil fuel powered vehicle by electric vehicle.

B. SOCIAL

B1. Employment

People Oriented

Employees are the largest and most valuable asset and the core competitive advantage of the Group. At the same time, they provide the Group with the driving force for continuous innovation. The Group adheres to a people-oriented approach, respects and safeguards the legitimate interests of every employee, standardizes labour employment management, and protects employees' occupational health and safety. The Group also enhances democratic management, protects the vital interests of employees, and fully respects and focuses on their enthusiasm, initiative and creativity in order to build a harmonious labour relationship.

During the Year, the Group was not aware of any material non-compliance with employment-related laws and regulations that would have a significant impact on the Group, including but not limited to the "Labour Law of Thailand" and the Employment Ordinance (Cap. 57 of the Laws of Hong Kong). The Group has established relevant personnel management policies to protect the welfare of employees and to enable employees to actively integrate personal pursuits into the long-term development of the Group.

As at 31 December 2023, the Group had a total of 174 employees (2022: 177 employees) in both Hong Kong and Thailand, all of them were full time employees.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The information of our employees was as follows:

By Gender

	Number as at 31 December 2023	2023 Percentage	Number as at 31 December 2022	2022 Percentage
Male	95	45%	106	59.9%
Female	79	55%	71	40.1%
	174	100%	177	100.0%

By Age

	Number as at 31 December 2023	2023 Percentage	Number as at 31 December 2022	2022 Percentage
Aged below 30	48	28%	46	26.0%
Aged 30–50	119	68%	120	67.8%
Aged over 50	7	4%	11	6.2%
	174	100%	177	100.0%

By Employment Type

	Number as at 31 December 2023	2023 Percentage	Number as at 31 December 2022	2022 Percentage
Full time	174	100%	177	100%
Part time	0	0%	0	0%
	174	100%	177	100.0%

By Geographical Area

	Number as at 31 December 2023	2023 Percentage	Number as at 31 December 2022	2022 Percentage
Hong Kong	35	20%	43	24.3%
Thailand	139	80%	134	0.2%
	174	100.0%	177	75.7%

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Remuneration and Benefits

The Group has established a fair, reasonable, and competitive remuneration system for salary payments to employees based on the principle of fairness, competition, incentives, reasonableness, and legality. The remuneration of the employees of the Group comprises basic salary, discretionary bonus and retirement benefit. In addition, the Group conducts annual assessments in accordance with changes in macroeconomic factors, industry and regional remuneration standards, changes in the Group's development strategy, and the overall efficiency of the Group, and makes corresponding adjustments to employees' remuneration.

The Group sincerely safeguards the legitimate interests of labour in accordance with the local laws and regulations, respects the rights of employees to rest and leave, and regulates their working hours and their rights for various types of rest and holidays. The Group implements the standard working hour system in which employees work no more than 8 hours a day and implements three shifts in the production unit. In addition to statutory holidays, employees are also entitled to unpaid leave, shift leave, examination leave, injury leave, sick leave, maternity leave, nursing leave, breastfeeding leave, marriage leave, and bereavement leave. We pay overtime compensation for working hours beyond the statutory working time according to Regulations on Paid Annual Leave for Employees and implement paid annual leave system for employees. In addition, the Group's female employees may be granted with special care, and enjoy paid maternity leave for 128 days per year. Female employees may apply for breastfeeding leave once a week upon the expiry of their maternity leave. Female employees whose babies are less than one year old may also leave for breastfeeding during each shift.

Recruitment, Promotion and Dismissal

The Group actively hires talents from different regions and different cultural backgrounds and qualifications to join the Group so as to form a diverse workforce and enhance its overall competitiveness. For vacancies, the Group prioritises internal recommendation. Employees can attain job transfer and promotion through the inhouse competition system, preference will be given when he or she meets the requirements (such as professional level, work performance, attitude and experience, etc.) of the vacancies. To recruit talents externally, we adhere to the principle of fair appointment and meritocracy.

To enhance morale and work enthusiasm, the Group continues to offer incentives and job promotions to encourage and inspire our employees to have personal development, which will also create benefits for the Group. The Group evaluates our employees based on various aspects, including virtue, cooperation, obedience to leadership, enterprising spirit, professional knowledge, work efficiency, learning ability and work quality, and determines employees' salary based on the "Employee Ranking Assessment Table" to incentivize our employees. In addition, we have also developed an internal "Assessment Scoring Table" to conduct monthly assessment and grant bonuses according to the assessment results. In order to optimise the allocation of human resources within the Group and to provide more opportunities and platforms for employees' career development so as to meet the Group's needs of sustainable development, the Group has established a succession planning and arranged tailor-made trainings and leadership position trainings for key training targets.

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In addition, the Group had a total turnover rate of 16.67% (2022: 20.90%) during the Reporting Period, including 9.20% (2022: 16.00%) of male and 7.47% (2022: 5.00%) of female. The detailed turnover numbers and percentage are as follow:

By Gender

Employee turnover rate	No. of Staff		Turnover Rate	
	2023	2022	2023	2022
Male	16	28	9.2%	16%
Female	13	9	7.5%	5%

By Age Group

Employee turnover rate	No. of Staff		Turnover Rate	
	2023	2022	2023	2022
Aged below 30	6	12	3.35%	7%
Aged 30–50	21	22	12.07%	13%
Aged over 50	2	3	1.15%	0%

By Geographical Area

Employee turnover rate	No. of Staff		Turnover Rate	
	2023	2022	2023	2022
Hong Kong	13	13	7.47%	3.34%
Thailand	16	24	9.20%	13.56%

The Group complies with laws and regulations related to employment and labour standards, both in Hong Kong and Thailand. The Group understands that violating relevant laws and regulations will bring civil and/or criminal consequences to the Group, as well as negative effects to the operations and corporate reputation.

To the best of our Directors' knowledge, the Group was not aware of any significant non-compliance case in this regard during the Reporting Period.

Equal Opportunity

The Group strictly complies with national and local government regulations by adopting a fair, just and open recruitment process, and developing relevant policies to eliminate discrimination in the recruitment process to ensure no discrimination regardless of race, gender, colour, age, family background, ethnic tradition, religion, physical fitness and nationality, thus allowing them to enjoy fair treatment in every aspect including recruitment, salary, training and promotion, and to attract professionals with diverse backgrounds to join the Group.

Communication with Employees

The Group also values the importance of two-way communication with employees. The Group has set up a labour union to facilitate internal communications, so that we can quickly understand and resolve our employees' issues at work whenever they arise. The management has set up a mailbox and e-mail to the general manager to broaden the channels of exchanges, so that they can learn about our employees' views by different means and continue to improve the working environment for them.

Work-life Balance

The Group also values the balance between work and life of employees, and their sense of belonging at work. Therefore, we have organised literary contests, basketball teams, football teams and dance teams, tug of war and chess competitions to enrich their lives, as well as further enhance their sense of happiness and belonging.

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B2. Health and Safety

The existing occupational health and safety management systems of the two major subsidiaries of the Group have all complied with the industry-related laws and regulations of Hong Kong and Thailand, which demonstrates that the Group attaches great importance to the health and safety of its employees and is committed to creating a healthy, safe and comfortable working environment for employees.

During the Year, the Company was not aware of any serious violations of relevant health and safety laws and regulations that caused material impact on the Group, including but not limited to “Labour Law of Thailand” and Health Ordinance”(Cap. 57 of the Laws of Hong Kong).

Swift Response to the COVID-19 Pandemic (the “Pandemic”)

In light of the Pandemic, the Group maintains a vigilant mind to monitor potential impacts on the health and safety of its employees and customers. The Group issued to its employees the notices regarding the “Effective Measures for the Pandemic Prevention and Control” and “Effective Measures for the Pandemic Prevention and Control Adopted for the Cafeterias”, to remind its our employees of the importance of maintaining personal hygiene, and implemented the disinfection procedures at the plant facilities and office premises. For the benefits of our employees, the Group established body temperature checkpoints so that only healthy employees are permitted to enter our plant facilities. In addition, the Group regularly distributed masks to our employees and advised our employees to avoid the crowded venues and minimise the frequency of taking public transportation. Furthermore, the employees who return to the staff quarters’ from their hometowns are required to carry out quarantine procedures under the supervision of our quarters manager. As for the preventive and control measures adopted for our cafeterias, our employees are required to wear masks and practice social distancing when entering the cafeterias and waiting in line, and each dining table only serves one individual. On the other hand, food storage shall be in strict compliance with the food sanitation management policies and related systems, and the cafeterias must be disinfected thoroughly on a daily basis to effectively prevent the spread of the Pandemic.

Safe Production Management Mechanism

The Group identifies and evaluates the potential hazards affecting the health and safety of employees and customers in the Group’s operation, products and services, prioritises the level of risk, and implements effective control and management, which provides the basis for establishing target indicators and preventing hazards. In response to identified potential hazards, the Group provides trainings and drills to improve the ability of all staff to respond to emergencies in production and other experimental processes. As a result, all staff facing emergency conditions or accidents can quickly and effectively take emergency measures to reduce the impact of various types of dangers, such as personal injuries, property damages and adverse effects on the environment.

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Indicators of Occupational Health and Safety	Unit	2023 Total number	2022 Total number
Numbers of work-related death	person	0	0
Numbers of work-related injuries	person	0	0
Numbers of working days lost due to	day	0	0

For the interest of employees, we provide relevant treatment and subsidies to them according to the Regulations on Work-Related Injury Insurances of the relevant laws and regulations. The Group has also provided additional gratuity to the family and has strengthened the safety management of our factory.

During the Year, there were no confirmed non-compliance incidents or grievances in relation to health and safety of the employees that have a significant impact on us.

The Group adopts the following measures for safety production to ensure the safety and health of employees during the production:

- Operate the specialised machines and equipment by the licensed specialist operator;
- Employees must comply with all safety and sanitation regulations and wear protective supplies as required and report to their superiors in case of unusual circumstances during the operation;
- Provide physical examinations to employees whenever necessary to ensure that their physical conditions meet position requirements; and
- Provide job safety trainings for employees when their position changes due to different skills required in each post, so as to ensure that they have enough safety knowledge upon reassignments.

Storage of Chemicals

Chemicals are used during our production process. In view of the hazardous nature of the chemicals, we continue to implement management systems for storage and collection of chemicals to protect the safety of our employees. Hazardous goods must be stored in a separate warehouse and managed by designated personnel. To prevent accidents, employees are prohibited from using fire in warehouses storing hazardous goods, lamps and electrical appliances have to be explosion-proof, and hazard labels should be posted in noticeable places of the warehouse as a warning to our employees. The fire exits of warehouses shall remain unblocked at all times and the fire-fighting equipment shall be in good condition so that our employees can take emergency measures in time if an accident occurs.

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B3. Development and Training

The Group focuses on the construction of internal management system of training and development diversity. Through induction training, on-the-job training and job-transfer training, etc., the Group satisfies the different needs of job duties at all levels. The Group enhances its sustainable development, and enhances employees' personal growth and development at the same time.

Training Management

The Group has established training-related policies to regulate the training management of employees. The management will regularly review the effectiveness of different training plans to help improve the efficiency of the Group's training system. The Group also encourages employees to participate in external trainings on their own; and subsidises employees to obtain professional qualifications related to the Group's business at the same time. Moreover, we also established a corporate training file as a basis for management to review the effectiveness of training plans.

To improve employees' knowledge, skills and corporate competitiveness, the Group formulates a training program each year based on the business development needs of the Group and the training needs of various departments. The training courses cover induction training, on-the-job training, job-transfer training and special job training for our employees. The content of our training includes a code of conduct, business profile, safety education, environmental protection, product knowledge, on-site management systems, professional ethics and skills training. The Group bears the training fees which include training or tuition fees, fees for books and materials, data fees, travel expenses, registration fees, technical fees and other expenses.

Assessments will be conducted on our employees upon completion of the training to understand the training results and constantly improve our training system.

The Group has adopted a mentorship programme for our trainees, enabling such trainees to master the work or production skills and related safety knowledge within an agreed period of time. On-the-job training is provided after the trainees have taken up their positions to continuously improve their knowledge, skills and management standards as well as their knowledge about operating conditions and safety requirements of the Group. During the Year, the participation rate of our training was 100%.

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B4. Labour Standards

Prevention of Child Labour and Forced Labour

The Group strictly prohibits the employment of any child labour and forced labour. The Group clearly stipulates in recruitment guidelines that only employees reaching legal working age can be recruited, and that new recruits should provide true and accurate personal data when they join the Group. Recruiters rigorously review the entry data including identity cards to confirm the legal working age requirement is met. The Group will investigate in and deal with any incidents of illegal employment or forced labour in accordance with its relevant policies. At the same time, the Group also avoids the appointment of such vendors and contractors who are known to have engaged in child labour or forced labour in their operations to provide products and services.

In practice, the Group strictly prohibits child labour and forced labour. During staff recruitment, the identity of potential employees would be strictly reviewed to ensure that they are qualified to work. The Group prohibits any form of forced labour or servitude and ensured that all employees are working on a voluntary basis.

During the reporting period, the Group had no violations involving child labor or forced labor.

B5. Supply Chain Management

The Group believes that strict screening and management of suppliers is an important prerequisite to producing and providing premier products for customers. Meanwhile, we recognise the importance of supply chain management to reduce indirect environmental and social risks. Therefore, we have established a system related to supply chain management to enhance the level of supply chain management.

Supply Chain Management Structure

In addition to customers' designated suppliers, we mainly select suppliers through tenders and continue to implement corresponding procedures to reduce the operating risks caused by unqualified suppliers.

The Group's procurement department collects monthly information on quality and delivers updates on each kind of raw materials and other necessary production supplies, and arranges production, technology, quality and purchasing and other departments to make integrated appraisals on the major suppliers annually, so as to eliminate those unqualified suppliers, follow up on rectifications and update or replace qualified suppliers list. When raw materials and other necessary production supplies are brought to the production plant, suppliers are required to provide quality certification documents, while our inspectors will inspect the raw materials purchased from the suppliers and pass those qualified ones to our warehouse for storage. Unqualified products will be returned to the relevant suppliers.

Suppliers are encouraged to provide environmentally friendly alternatives for consideration. In addition, suppliers with management certification such as ISO 9001 Quality Management System certification, OHSAS 18001 Occupational Health and Safety Management system certification, ISO 14001 Environmental Management System certification and any related license and certification are more preferred.

	Ratio of suppliers by category	
	2023	2022
Water, electricity and other materials	53%	50%
Raw materials	47%	50%

During the Reporting Period, the Group had approximately a total of 78 (2022:72) major suppliers, all of which were from Mainland China, Hong Kong SAR, Japan, Thailand, India and Malaysia. Among them, 37 (2022: 36) were suppliers of raw materials and 41 (2022: 36) were suppliers of water, electricity and other materials.

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The Group is also concerned about the integrity of suppliers and partners. We will only select suppliers and partners who have a good business record in the past and have no serious violations of relevant laws and regulations or violations of business ethics. The Group has zero tolerance for bribery and corruption, and suppliers and partners are strictly prohibited from obtaining procurement contracts or partnerships through any form of transfer of benefits.

Environmental and Social Risk Management of the Supply Chain

The Group requires that products and raw materials used by the suppliers shall meet environmental protection requirements set out in national and local laws and regulations as well as industry standards, and encourages the usage of clean production process and equipment. For enterprises or suppliers who are likely to cause or have caused serious harm or major environmental pollution, the Group will terminate the supply contract

Apart from environmental risks, the Group also takes measures to examine whether its major suppliers or contractors are in compliance with relevant laws and regulations and other required standards for health, safety, forced labour and child labour, and examine the suppliers' awareness in the above aspects.

Fair Tendering

The Group invites at least two suppliers to public tender for all types of raw materials or production supplies. Apart from regulating the principle of local procurement, when selecting the suppliers, we also consider major factors including quality, environment, safety, pricing, supply capacity and stability, as well as whether they are directly or indirectly related to the management of the Group. We usually review the requisite approvals, business licences, certificates of the bidders and information on quality and technical standards first before such suppliers are invited to bidding. Suppliers are required to fill in the questionnaire for us to understand their background. We conduct on-site inspections, sample checks and tests before the bidding to ensure their authenticity when necessary.

B6. Product Responsibility

The Group recognises the importance of product quality and corporate reputation, we actively monitor the quality of our products and services through internal controls and is committed to producing high quality products that meet industry standards. We also maintain communication with our customers to ensure we understand and meet customers' needs and expectations, while understanding customers satisfaction, so as to continuously improve our products and services.

The Group promises not to use any pirated products, and has implemented control rights on the computer system to protect the stability of the system to minimize the risk of viruses. The Group attaches great importance to the protection of consumer information and privacy, and has managed customers' personal information in accordance with strict standards. No collected customer data would be used for promotional purposes without the consent of customers. The Group regularly reviews the security of the information storage system, protecting the security and stability of the information system through firewalls and management of Internet access to reduce the risk of personal information disclosure.

During the Reporting Period, the Group did not recall any products sold or shipped due to safety and health reasons. The Group will strive to maintain the quality of its products and provide customers with high-quality products. The Group complies with laws and regulations relevant to product responsibility, and understands that violating relevant laws and regulations will bring civil and/or criminal consequences to the Group, as well as negatively affect operations and corporate reputation. During the Reporting Period, the Group did not violate any laws and regulations related to product responsibility.

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Quality Control

The Group has obtained quality control system for our products. To enhance production efficiency and minimise product quality issues, we provide reliable support for the inspection of our production supplies and products.

The Group adopts standardised quality management systems in all production processes, finished product inspections and services. We have set up a professional quality management team for quality management and product control to ensure all relevant standards are met. In addition, we require necessary anti-dust, antimoisture, anti-fire and anti-explosion measures and other protective measures to be taken to ensure the quality and safety of our supplies. During the Year, the Group did not receive any cases in which the products sold or shipped had to be recalled for safety and health reasons.

Customer Service and Privacy

Maximising customer satisfaction is the basic criterion for the Group's customer service. We provide warranty service for all products, and repair or replace damages and malfunction caused by product quality issues for free. The Group is convinced that customer feedback is the key to our continued progress. In this regard, we have set up a special department to collect views and complaints from our customers and strive to listen to each of them. We reply to any complaint within 4 hours of receiving such complaint and provide a solution within 24 hours, including technical engineers to be dispatched to sites for resolving issues. During the Year, the Group did not receive any material complaints about its products and services.

All products and business information shall be subject to strict scrutiny before being disclosed, and any misleading behaviour or false information is prohibited in the promotion, marketing and exhibition process.

The Group manages customer information under strict confidentiality to avoid data privacy leakage. Customer data shall be kept by a dedicated person and the use, storage and destruction of customer's documents and other items shall be performed by such dedicated person. At the same time, as part of the Group's resources, customer information and materials will not be sold, shared or disclosed by any person for any purpose. Each employee should protect customer information and materials in accordance with the regulations of the Company and relevant laws and regulations.

Intellectual Property Rights

Over the course of our productions and operations, the Group has established relevant intellectual property management codes in accordance with national and provincial intellectual property laws and regulations, setting out the duties of employees to protect the Group's patent rights, trade secrets and trademarks. In addition, we continue to raise awareness of intellectual property rights protection in accordance with internal regulations. In case of infringement disputes, we will promptly handle and resolve them.

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B7. Anti-corruption

The Group believes that a corporate culture of high integrity is the key to its continuous success. Therefore, the Group recognises the importance of anti-corruption work and system establishment. Meanwhile, the Group is committed to creating a fair and honest, open and transparent, standardised and efficient internal management atmosphere. Our employees, in particular our management, are required to regard honesty, trustworthiness and integrity as the most basic code of conduct. During the Year, the Group was not aware of any material non-compliance with relevant laws and regulations related to bribery, extortion, fraud and money laundering, which would have a significant impact on the Group, National People's Congress on Amending the Bidding Law of the People's Republic China and the Metrology. No concluded legal cases regarding corrupt practices were brought against the Group or its employees during the Year. The Group also provided anti-corruption training to the directors and employees on how to properly address possible conflicts of interest and acceptance of benefits at work.

We continuously update the relevant policies and internal management system for preventing corruption and bribery in accordance with the above laws and regulations, thereby strengthening our employees' awareness of anti-corruption and regulating their behaviour. We also signed an integrity self-discipline commitment declaration with the Group's management or above level. In addition, we enhanced the management's and employees' integrity awareness by conducting the training related to anti-corruption. During this year, all of the Group's directors and employees have received the training in anti-corruption and understood the Group's integrity and self-discipline management system.

The Group has also established a whistleblowing system to establish and maintain a clean and transparent culture of the Group. The whistleblowing system allows all employees and independent third parties (including customers, suppliers, etc.) who have contact with employees to report anonymously to the Audit Committee, including negligence, corruption, bribery and other misconduct. The Audit Committee will process the reports promptly, fairly and confidentially. On the other hand, the whistleblowing system also ensures that whistleblowers will not be treated unfairly because of reports, the whistleblowers will not face unfair dismissal, unwarranted disciplinary actions, etc.

The Group also attaches importance to the potential bribery and corruption in the procurement and relevant rules and regulations for management are established. Please refer to the section headed "Fair Tendering" in Aspect B5 of this ESG Report.

B8. Community Investment

The Group believes that an enterprise should share the responsibility of contributing to the society. Therefore, while pursuing its own development, the Group also devotes itself to social charity and public welfare, assisting people in need and giving back to the society and people. By focusing on contributing to community welfare and working with charitable organisations, the Group organises activities to fulfill social responsibilities.

Social Responsibility Education

The Group hopes to foster a sense of social responsibility among its employees. Therefore, we have been encouraging employees to participate in charity activities during their work and personal time to make greater contributions to the community. We have also arranged for employees to participate in environmental protection activities, donation for educational developments and social services in past years. We believe that through directly participating in activities that contribute to the community, our staff could build up positive value and be a socially responsible citizen. However, there were no charity events during the Year due to our bad performance in the year 2013.

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APPENDIX

Key Performance Indicators Summary

Environmental Key Performance Indicators

	2023	2022	Unit
Air Pollutants			
Nitrogen dioxides	92.61	148.85	kg
Sulphur oxides	0.72	0.72	Kg
Respirable suspended particulates	8.70	13.43	kg
GHG Emissions			
Scope 1 — Direct GHG emissions	123.88	125.65	tonnes of carbon dioxide equivalent
Scope 2 — Energy indirect GHG emissions	3,101.64	4,761.70	tonnes of carbon dioxide equivalent
Total GHG emissions	3,225.52	4,887.35	tonnes of carbon dioxide equivalent
GHG intensity (by number of employees)	18.75	27.61	tonnes of carbon dioxide equivalent
Waste			
Total non-hazardous waste generation	106.87	125.26	tonnes
Non-hazardous waste intensity (by number of employees)	0.61	0.71	tonnes/employee
Energy Consumption			
Diesel	27,140	30,632	Litres
Petrol	18,717	15,375	Litres
Electricity	6,471,110	9,823,024	kWh
Water Consumption			
Total water consumption	21,121.00	23,686	m ³
Water consumption intensity (by number of employees)	121.39	133.82	m ³ /employee
Packaging Material			
Total packaging material	31.36	77.53	tonnes
Wood			
Total wood consumption	5.95	6.65	tonnes

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Social Key Performance Indicators

		2023	2022
By gender	Male	95	107
	Female	79	70
By age group	Below 30 years old	48	45
	30–40 years old	74	74
	41–50 years old	45	48
	Above 50 years old	7	10
By employment type	Full time	174	177
	Part time	0	0
By geographical region	Hong Kong	35	43
	Thailand	139	134
By employment category	General employee	129	153
	Middle management	31	16
	Director & Senior management	14	8
Total		174	177

Employee Turnover Rate

By gender	Male	30	28
	Female	11	9
By age group	Below 30 years old	14	12
	30–40 years old	15	18
	41–50 years old	11	4
	Above 50 years old	1	3
By geographical region	Hong Kong	17	13
	Thailand	24	24
Total		41	20.90%

Occupational

Health and Safety	Work-related injuries	0	0
	Lost days due to work-related injuries	0	0
	Work-related fatalities for the year ended 31 December	0	0

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		2023	2022
Training			
No. of trainees by Gender	Male	178	66
	Female	107	44
No. of training courses	Hong Kong	7	4
	Thailand	2	2
Average training hours		4.5	5
By employment category	General employee	263	98
	Middle management	22	9
	Director & senior management	0	3
Supplier			
By Nature	Raw material	37	36
	Water, electricity and other services	41	36
Total		78	72

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CONTEXT INDEX OF THE “ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORTING GUIDE” OF THE HKEX

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KPI B5.2 Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, how they are implemented and monitored.	Supply chain management	34, 51–52
KPI B5.3 Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Supply chain management	34, 51–52
KPI B5.4 Description of practices used to promote environmentally preferable products and services when selecting suppliers, and how they are implemented and monitored.	Supply chain management	34, 51–52
Aspect B6: Product Responsibility		
General Disclosure	Product Quality and Assurance	52–53
Information on:		
(a) the policies; and		
(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.		
KPI B6.1 Percentage of total products sold or shipped subject to recalls for safety and health reasons.	Product responsibility	52
KPI B6.2 Number of products and service related complaints received and how they are dealt with.	Product responsibility	52
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KPI B6.5 Description of consumer data protection and privacy policies, how they are implemented and monitored.	Product responsibility	52

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

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<ul style="list-style-type: none"> <li data-bbox="199 495 403 523">(a) the policies; and <li data-bbox="199 530 1034 590">(b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to prevention of bribery, extortion, fraud and money laundering. 		
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BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

DIRECTORS

Executive Directors

Mr. Hu Guoqiang (胡國強), aged 60, is an executive Director and Chairman of the Board. Mr. Hu joined the Group in April 2003 as a director of Transtech and is responsible for devising development strategies and business strategies for the Group. After joining the Group, Mr. Hu is principally responsible for devising development strategies and business strategies for the Group, Mr. Hu is currently a director and deputy/standing president of Futong Group Co., Ltd. (“Futong China”). Mr. Hu’s role in Futong China and its subsidiaries from time to time (“Futong China Group”) is mainly to coordinate with the joint venture partners of Futong China Group. Please refer to the section headed “Relationship with Controlling Shareholders — Management Independence” in the Prospectus.

Mr. Hu obtained a professional certificate in economic management from Zhejiang University of Technology (浙江工業大學) in December 2000. Mr. Hu has approximately 15 years of experience in enterprise management and financial management. Between November 2015 and June 2017, Mr. Hu was a director of Zhejiang Futong Optical Fibre Technology Company Limited (浙江富通光纖技術有限公司) and was responsible for its corporate management. Zhejiang Futong Optical Fibre Technology Company Limited principally engages in research and development, production and sales of optical fibres preforms and optical fibres as well as technical support services.

Mr. Hu resigned on 1 July 2023.

Mr. He Xingfu (何興富), aged 64, is an executive Director and the chief executive officer of the Group. Mr. He joined the Group in April 2003 as a director and general manager of Transtech and is responsible for managing the daily operations and business development of our Group. Meanwhile, Mr. He resigned as general manager of Transtech on 1 November 2023. Mr. He was the president of Futong Group (Hong Kong) Co., Ltd. (“Futong Group (Hong Kong)”) and a director of Hong Kong Futong Optical Fibre Co., Ltd. (“Futong HK”), and he has resigned from such positions in these two companies upon Listing.

Mr. He obtained the qualification of Senior Engineer from Science and Technology Bureau of Guangdong Province (廣東省科學技術幹部局) in April 1994 and a bachelor degree in electronic material science from University of Electronic Science and Technology of China (電子科技大學) (formally known as Chengdu Institute of Radio Engineering (成都電訊工程學院)) in July 1982. Mr. He has approximately 41 years of experience in optical communication industry. Prior to joining Futong China Group in 2001, Mr. He was engineer of the research department of the No. 46 Research Institute of China Electronics Technology Group Corporation (中國電子科技集團公司第四十六研究所) (formally known as No. 46 Research Institute of Ministry of Machine Building and Electronics Industry (機械電子工業部第46研究所)) from August 1982 to April 1989, where he mainly engaged in the research on the production technologies for optical fibres preforms and the drawing technologies of optical fibres. From January 1989 to June 1997, Mr. He was the head (manager) of the optical fibre factory of Shenzhen Guangtong Development Company Limited (深圳光通發展有限公司) and mainly managed the day-to-day operations and production technology of the optical fibre factory. From July 1997 to December 1998, Mr. He was the person in charge of technology for the Shenzhen SDGI Optical Fibre Co. Ltd (深圳市特發信息光纖有限公司). Shenzhen SDGI Optical Fibre Co. Ltd is principally engaged in the manufacturing and sales of optical fibres. Subsequently from February 1999 to March 2001, Mr. He was the Area Sales Manager of Fiber Optic Product Line, Cables and Components Sector of Alcatel China Company Limited Shanghai Representative Office (阿爾卡特中國有限公司上海代表處) and was mainly responsible for overseeing the sales operations of optical fibre products in the PRC. Alcatel China Company Limited Shanghai Representative Office is principally engaged in providing optics, voice and data communication systems for enterprises to mobile terminals. Mr. He also acted as the director of the FTTH Council Asia Pacific from May 2012 to May 2016, and as the Vice President and director of the same organisation from May 2015 to May 2016 subsequently.

Mr. He was appointed as Chairman of the Board as effective from 1 July 2023.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Jinjie (徐進捷), 33 years old, is an executive director. He has joined the Group in October 2020 and served as the acting general manager of its subsidiary, Futong Group Communication Technology (Thailand) Co., Ltd., in charge of the operations and business development in Thailand and other countries of the Association of Southeast Asia Nation (ASEAN). Mr. Xu got the bachelor degree in electronic information engineering from Ningbo Institute of Technology, Zhejiang University in June, 2012. He has about 9 years` experience in international marketing, customer development, overseas project investment and operation. In December 2017, he was awarded the "Outstanding Professional Awards at 30th Anniversary" of Futong Group Co., Ltd., (the "Funtong China"). Futong China and its subsidiaries are collectively referred to as "Futong China Group".

From May 2013 to March 2016, Mr. Xu served as the director assistant and sales manager of the European market in the international affairs department of Futong China, assisting the president to carry out investment survey, project operation and marketing. From April 2016 to March 2019, Mr. Xu successively served as the secretary of the board of directors of Futong China Group, and the assistant to the director of Chairman`s (Hangzhou) Office, assisting the chairman in international affairs, communication and other appointed works. From April 2019 to September 2020, he served as the deputy general manager of Futong Group Import & Export Co., Ltd. and Jiaxing Futong International Technology Co., Ltd. responsible for market promotion and project operation in ASEAN countries. Mr. Xu has resigned all posts in Futong China Group before October 2022.

Mr. Xu was appointed as an executive Director and a memembr of nomination committee of the Board on 1 October 2022.

Mr. Yin Zhou (尹洲), aged 34, is an executive Director. Mr. Yin joined our Group in October 2022 and is responsible for the development of new markets and trade affair of our Group. Mr. Yin graduated from Zhejiang University of Technology and obtained a bachelor degree of English Language in June 2011. Mr. Yin has 10 years of experience in enterprise management, market development and sales operations. Prior to joining our Group, Mr. Yin took up the posts of the customer manager, claim manager and recover manager in the whole process of insurance business in China Export & Credit Insurance Corporation from July 2011 to September 2016. Between October 2016 and September 2022, Mr. Yin worked as the assistant to the president of the department of international business as well as the secretary to the director of Futong China. Mr. Yin has resigned all posts in Futong China Group before October 2022.

Mr. Yin was appointed as an executive Director and a memembr of remuneration committee of the Board on 1 October 2022.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Ren Guodong (任國棟), aged 48, Mr. Ren joined the Group in October 2003 and is a director and general manager of Transtech. He is responsible for the operating management of Transtech. Mr. Ren obtained a bachelor's degree in high voltage and equipment from Harbin University of Science and Technology (哈爾濱理工大學) in July 1998, and a master's degree in business administration from the Zhongnan University of Economics and Law (中南財經政法大學) in December 2010. Mr. Ren has over 20 years of experience of enterprise management in optical communication product manufacturing technical innovation, quality control and cost control. Prior to joining the Group, Mr. Ren has been the head of production department of Futong Cable Hangzhou Company Limited (杭州富通電線電纜有限公司).

Mr. Ren was appointed as an executive director on 1 July 2021 and General Manager of Transtech on 1 November 2023.

Independent Non-Executive Directors

Mr. Leong Chew Kuan (梁昭坤), aged 46, was appointed as an independent non-executive Director on 23 June 2017.

Mr. Leong obtained his bachelor's degree in business administration from University of Technology, Sydney in July 2000 in Australia. He has been a member of Malaysian Institute of Accountants since August 2003 and a member of Hong Kong Institute of Certified Public Accountants since May 2014. Mr. Leong was admitted as a certified practising accountant of CPA Australia in February 2000, and was awarded a fellow membership in the CPA Australia in February 2014.

Prior to joining our Group, Mr. Leong has approximately 16 years of experiences in accounting, finance and enterprises management. From June 2004 to May 2006, Mr. Leong was employed by KPMG (Malaysia), a firm of certified public accountants, serving first as audit senior and then senior associate, in which he was responsible for performing audit works. Mr. Leong was then employed by KPMG (Hong Kong) in November 2006, and was a manager responsible for auditing and advisory works when leaving in January 2010. From May 2011 to February 2014, Mr. Leong worked as a senior manager in the risk advisory services department of BDO Financial Services Limited, a firm of certified public accountants in Hong Kong. He joined Clifford Investment Company Limited as financial controller from March 2014. Mr. Leong was appointed as an executive director of Clifford Modern Living Holdings Limited, a listed company on the Main Board of the Stock Exchange (stock code: 3686), in December 2015, and he resigned as an executive director in December 2018. From December 2018 to February 2020, Mr. Leong worked as Group Financial Controller in Chairman's office, at Glorious Sun Holdings Limited. From February 2020 to November 2022, Mr. Leong has been working as Group Finance Director at Tricolor Group.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Lau Siu Hang (劉少恒), aged 68, was appointed as an independent non-executive Director on 23 June 2017.

Mr. Lau obtained his bachelor's degree in business administration from University of Western Sydney in April 2001 in Australia, and his master's degree in Chinese culture from The Hong Kong Polytechnic University in January 2013. Mr. Lau had served the Hong Kong government for approximately 30 years with his last position as Principal Immigration Officer prior to his retirement in 2010. During his tenure, he was responsible for handling human resources matters and was once seconded to Security Bureau to assume the position of Assistant Secretary for Security. Mr. Lau has been working as a principal consultant in Wise and Talent Consultancy providing training relation to recruitment interviews, risk management and services relation to financial and assets management since May 2013. Mr. Lau has been a financial consultant of Prudential Hong Kong Limited and Prudential General Insurance Hong Kong Limited, and he became an insurance agent of The Prudential Assurance Company Limited in September 2010. He is currently a Chinese Certified Financial Planner of the Chinese Institute of Certified Financial Planner SAR. Mr. Lau served as an independent non-executive director of China Financial Leasing Group Limited, a company listed on the Main Board of the Stock Exchange (stock code: 2312) for the period from June 2015 to September 2018.

Mr. Li Wei (李煒), aged 68, was appointed as an independent non-executive Director on 23 June 2017.

Mr. Li had his tertiary education in Beijing, Kiel and Perth where he had studied German, international trade theory and consumer behaviours. Mr. Li had working experience across a number of industries including education, trading, investment, and broadcasting industry. From 2002 to present, he has been serving as an independent non-executive director of VST Holdings Limited, a listed company on the Main Board of the Stock Exchange (stock code: 856). Also, he has become the independent non-executive directors of two listed companies on the Main Board of the Stock Exchange, namely Qianhai Health Holdings Limited (formerly known as Hang Fat Ginseng Holdings Company Limited) (stock code: 911) and Yantai North Audre Juice Co., Ltd. (stock code: 2218) on 17 May 2016 and 25 May 2016, respectively. Furthermore, he acted as a current affairs commenter in radio and television programmes and a columnist across different media.

Mr. Li was a director of the below companies incorporated in Hong Kong, which were dissolved by way of striking off or deregistration as these companies ceased to carry on business.

Name of company	Place of incorporation	Nature of business before dissolution	Date of dissolution	Method of dissolution
China Equity International Limited	Hong Kong	Trading of mineral products	8 July 2005	Deregistration
Link Success International Development Limited	Hong Kong	Trading of mineral products	21 September 2001	Striking Off
Uni-Link International Limited	Hong Kong	Trading of mineral products	4 October 2013	Deregistration
Winform Development Limited	Hong Kong	Trading of imported equipment	30 July 2004	Deregistration
World Grace International Limited	Hong Kong	Trading of imported equipment	27 June 2008	Deregistration

Save as disclosed in this report, each of the Directors does not have any interest or short position in the Shares and underlying Shares (within the meaning of Part XV of the SFO).

Save as disclosed in this report, none of the Directors has any other directorships in listed companies during the three years immediately prior to the date of this report and there are no other matters in respect of each of the Directors that is required to be disclosed pursuant to Rule 13.51(2) of the Listing Rules and there is no other material matter relating to the Directors that need to be brought to the attention of the shareholders.

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Ho Cheuk Wai (何焯偉), aged 62, joined the Group and was appointed as our chief financial officer and company secretary in October 2016. Mr. Ho is responsible for overseeing the financial and accounting operations and carrying out company secretarial functions of the Group. He graduated with a degree of master of science in business information technology from Middlesex University in January 2003 and a degree of master of business administration from the University of Wales, Bangor in cooperation with the Manchester Business School (now known as the Bangor University) in July 1997, both of which were distance learning programmes. He has been admitted as an associate of the Hong Kong Society of Accountants since December 1994 and was admitted an associate of the Association of Chartered Certified Accountants of the United Kingdom since January 1995 and a fellow of the Association of Chartered Certified Accountants of the United Kingdom since January 2000.

Mr. Ho was an independent non-executive director of Tai Kam Holdings Limited, a company listed on GEM (stock code: 8321) from September 2016 to May 2018. Prior to joining the Group, he served as the financial controller and the company secretary of K. H. Group Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1557), from August 2014 and September 2015, respectively, which he resigned from such positions with effect from October 2016. From May 2013 to January 2014, he served as the financial controller and the company secretary of Ngai Shun Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1246). From May 2012 to May 2013, he also acted as the financial controller and the company secretary of South West Eco Development Limited, a company currently known as C&D International Investment Group Limited listed on the Main Board of the Stock Exchange (stock code: 1908). In addition, Mr. Ho served as the financial controller in other companies in Hong Kong, namely Cetec Limited, China Water Company Limited, Chung Fu Property Group Company Limited, Mission Hills Group Limited, and CBI Investment Limited during the period from January 2010 to April 2012, from September 2008 to January 2010, from January 1999 to March 2008, from April 1995 to November 1998, and from July 1990 to March 1995, respectively.

REPORT OF DIRECTORS

The Directors are pleased to present their report together with the audited consolidated financial statements of the Company for the year ended 31 December 2023.

CORPORATE REORGANISATION AND SHARE OFFER

The Company was incorporated in the Cayman Islands as an exempted company with limited liability on 6 September 2016.

The Shares have been listed on the GEM of the Stock Exchange by way of the Global Offering on 20 July 2017 and transferred from GEM to Main Board on 5 November 2020.

In connection with the Listing, the companies comprising the Group underwent a reorganisation (the "Reorganisation"). Pursuant to the Reorganisation, the Company became the holding company of the other members of the Group on 7 October 2016. Further details of the Reorganisation are set out in the section headed "History and Development" of the Prospectus dated 30 June 2017 (the "Prospectus").

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiaries are set out in Note 33 to the consolidated financial statements. The Group is principally engaged in the manufacturing and sale of optical fibre in Hong Kong and optical fibre cable, optical cable cores and related products in Thailand.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 and the Group's financial position at that date are set out in the consolidated financial statements of the Group on pages 85 to 87 of this report.

The Directors do not recommend the payment of any final dividend in respect of the year ended 31 December 2023.

BUSINESS REVIEW

Details of which, are set out in the section headed "Chairman's Statement" of this report.

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the aggregate amount of revenue attributed to the Group's largest and the five largest customers accounted for approximately 31% and 67% (2022: 16% and 56%) of the total revenue of the Group, respectively. For the year ended 31 December 2023, the Group's purchase from the largest and the five largest suppliers accounted for approximately 56% and 79% (2022: 26% and 77%) of the total purchases of the Group, respectively. At no time during the year ended 31 December 2023 did the Directors, their close associates or any shareholder of the Company (which to the knowledge of the Directors, owns more than 5% of the Company's issued share capital) have any interest in the Group's major customers or suppliers as disclosed above.

SHARE CAPITAL

Details of movements in the share capital of the Company during the year ended 31 December 2023 are set out in Note 24 to the consolidated financial statements.

REPORT OF DIRECTORS

DISTRIBUTABLE RESERVES OF THE COMPANY

As at 31 December 2023, the Company's reserves available for distribution to the shareholders, calculated in accordance with the Company Law, Chapter 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands amounted to approximately HK\$38.1 million comprising accumulated loss of approximately HK\$57.4 million and the share premium of approximately HK\$95.5 million (2022: approximately HK\$38.1 million).

DIRECTORS

The Directors of the Company during the year ended 31 December 2023 and up to the date of this report were as follows:

Executive Directors

Mr. Hu Guoqiang (<i>Chairman</i>)#	(appointed as director on 6 September 2016, redesignated as executive director on 23 June 2017) (resigned on 1 July 2023)
Mr. He Xingfu (<i>Chairman</i> * & <i>Chief Executive Officer</i>)	(appointed as director on 6 September 2016, redesignated as executive director on 23 June 2017)
Mr. Ren Guodong	(appointed as executive director on 1 July 2021)
Mr. Xu Jinjie	(appointed as executive director on 1 October 2022)
Mr. Yin Zhou	(appointed as executive director on 1 October 2022)

Independent Non-executive Directors

Mr. Leong Chew Kuan	(appointed on 23 June 2017)
Mr. Lau Siu Hang	(appointed on 23 June 2017)
Mr. Li Wei	(appointed on 23 June 2017)

resigned on 1 July 2023

* newly appointed on 1 July 2023

Pursuant to article 108(a) of the Articles, at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with the articles of association of the Company (the "Articles"), Mr. He Xingfu, Mr. Ren Guodong and Mr. Li Wei retire from office and, being eligible, offer themselves for re-election at the forthcoming AGM.

The Company has received annual confirmation of independence from each of the independent non-executive Directors and as at the date of this report still considers them to be independent.

REPORT OF DIRECTORS

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

(a) Executive Directors

	Past contract period	Current contract period
Hu Guoqiang [#]	23/6/2017–30/6/2023	–
He Xingfu	23/6/2017–30/6/2023	1/7/2023–30/6/2024
Xu Jinjie	1/10/2022–30/6/2023	1/7/2023–30/6/2024
Yin Zhou	1/10/2022–30/6/2023	1/7/2023–30/6/2024
Ren Guodong	1/7/2021–30/6/2023	1/7/2023–30/6/2024

[#] resigned on 1 July 2023

All of the above contracts may be terminated by not less than three months' notice served by either party on the other. The term of service of a Director is subject to retirement by rotation of Directors as set out in the Articles.

(b) Independent Non-executive Directors

	Past contract period	Current contract period
Leong Chew Kuan	23/6/2017–30/6/2023	1/7/2023–30/6/2024
Lau Siu Hang	23/6/2017–30/6/2023	1/7/2023–30/6/2024
Li Wei	23/6/2017–30/6/2023	1/7/2023–30/6/2024

All of the above contracts may be terminated by not less than one month's notice served by either party on the other. The term of service of a Director is subject to the provisions on retirement by rotation of Directors as set out in the Articles.

Save as disclosed above, none of the Directors has or is proposed to have a service contract with the Company or any of its subsidiaries (other than contracts expiring or determinable by the Company or its subsidiaries, as applicable within one year without payment of compensation other than statutory compensation).

FINANCIAL SUMMARY

A summary of the published results and of the assets and liabilities of the Group for the last five years is set out in the section "Five-Year Financial Summary" of this report.

SIGNIFICANT INVESTMENTS AND FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2023, the Group did not hold any significant investment of equity interest in other company. Except for those included in the section headed "Future Plans and Use of Proceeds" in the Prospectus, the Group had no definite future plans for material investments and capital assets.

REPORT OF DIRECTORS

USE OF PROCEEDS AND COMPARISON OF BUSINESS OBJECTIVES WITH ACTUAL BUSINESS PROGRESS

Details of the use of proceeds and business objectives with actual progress are set out in the section headed “Management Discussion and Analysis” of this report.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2023 are set out in Note 15 to the consolidated financial statements.

BANK BORROWINGS

Particulars of bank borrowings of the Group at 31 December 2023 are set out in Note 23 to the consolidated financial statements.

INTEREST CAPITALISED

The Group has not capitalised any interest during the year ended 31 December 2023.

RESERVES

Details of movements in reserves of the Group during the year ended 31 December 2023 are set out in the consolidated statement of changes in equity to the consolidated financial statements.

DIVIDEND POLICY

The Company adopted a dividend policy considering the payment of dividends, to allow shareholders of the Company to participate in the Company’s profits whilst retaining adequate reserves for the Group’s future growth.

The Board shall consider the following factors before declaring or recommending dividends:

- the Company’s actual and expected financial performance;
- retained earnings and distributable reserves of the Company and each of the members of the Group;
- the Group’s working capital requirements, capital expenditure requirements and future expansion plans;
- the Group’s liquidity position;
- general economic conditions, business cycle of the Group’s business and other internal or external factors that may have an impact on the business or financial performance and position of the Company; and
- other factors that the Board deems relevant.

The payment of dividend is also subject to compliance with applicable laws and regulations including the laws of Cayman Islands and the Company’s Bye-laws. The Board will continually review the Dividend Policy from time to time and there can be no assurance that dividends will be paid in any particular amount for any given period.

REPORT OF DIRECTORS

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

The Directors confirm that during the year ended 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.

EMOLUMENTS OF DIRECTORS AND FIVE HIGHEST PAID INDIVIDUALS

The emolument of the Directors is recommended by the Remuneration Committee by reference to the benchmarking of the market. The Company also looks into individual Director's competence, duties, responsibilities, performance.

Details of the emoluments of the Directors and the five highest paid individuals of the Group are set out in Note 9 to the consolidated financial statements.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors and the senior management of the Group are set in section "Biographical Details of Directors and Senior Management" of this report.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN CONTRACTS

Save as disclosed in "Disclosure of Directors' and Substantial Shareholders' interests" section of this report, none of the Directors or an entity connected with any of them had any material interest, whether directly or indirectly, in any transaction, arrangement or contract of significance in relation to the business of the Group to which the Company or any of its subsidiaries, parent company or subsidiaries of the parent company was a party and subsisting at any time during or at the end of the year ended 31 December 2023.

As at 31 December 2023, no contract of significance had been entered into between the Company, or any of its subsidiaries and the controlling shareholders of the Company or any of their subsidiaries.

DIRECTOR'S RIGHTS TO ACQUIRE SHARES OR DEBT SECURITIES

Save as disclosed in this report, at no time during the year ended 31 December 2023 was the Company or any of its subsidiaries, or any of its fellow subsidiaries, a party to any arrangement to enable the Directors or chief executive of the Company (including their spouses or children under 18 years of age) to have any right to subscribe for securities of the Company or any of its specified undertakings as defined in the Companies (Directors' Report) Regulation (Chapter 622 of the Laws of Hong Kong) or to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the year ended 31 December 2023 and up to the date of this report, save as disclosed in the section headed "Relationship with Controlling Shareholders" in 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.

REPORT OF DIRECTORS

COMPLIANCE OF NON-COMPETITION UNDERTAKINGS

Each of the controlling shareholders of the Group (the “Controlling Shareholders”), namely Hong Kong Futong Optical Fiber Company Limited (“Futong HK”), Hangzhou Futong Optical Communication Investments Co., Ltd. (“Futong Optical Communication”), Futong Group Co., Ltd. (“Futong China”), Hangzhou Futong Investments Co., Ltd. (“Futong Investments”) and Mr. Wang Jianyi (“Mr. Wang”) entered into a deed of non-competition dated 13 October 2016 as amended by a supplemental deed dated 23 June 2017 (“Deed of Non-Competition”) in favour of the Company (for itself and each of its subsidiaries), pursuant to which each of the Controlling Shareholders has, unconditionally and irrevocably, jointly and severally, undertaken to the Company (for itself and on behalf of other members of the Group) that save and except certain exceptional circumstances, he/it will not, and will procure that his/its close associates (except members of the Group) will not, from the Listing Date, directly or indirectly, either on his/its own account or in conjunction with or on behalf of any person, firm or company (except through any member of the Group), among other things, carry on, participate, invest or be interested or engaged in or acquire or hold (in each case whether as a shareholder, director, partner, agent, employee, or otherwise, and whether for profit, reward or otherwise) any of the following business (“Controlling Shareholders’ Restricted Business”):

- (i) sales or manufacturing of optical fibres, optical fibre cables, optical cable cores and other similar products (excluding optical fibre preforms) (the “Relevant Optical Communication Products”) in Hong Kong and the ASEAN; and
- (ii) any other business in Hong Kong and the ASEAN from time to time conducted, engaged in or invested in by any member of the Group or which the Company has otherwise published an announcement on the website of the Stock Exchange stating its intention to conduct, engage in or invest in.

In addition, each of the Controlling Shareholders has irrevocably and unconditionally, jointly and severally, provided the following undertakings to the Company under the Deed of Non-Competition:

- (i) with respect to any proposed sales of the Relevant Optical Communication Products to (a) authorised distributors or trading agents (which include all companies which on-sell or trade the Relevant Optical Communication Products of the Controlling Shareholders) or (b) manufacturers of the Relevant Optical Communication Products, (together, the “Restricted Customers”), the Controlling Shareholder shall include a clause in the relevant contract to be entered into between the Controlling Shareholder and such Restricted Customer(s), pursuant to which such Restricted Customer(s) shall not on-sell the Relevant Optical Communication Products purchased from the Controlling Shareholder, with or without further processing, to other customers in Hong Kong and ASEAN; and
- (ii) if prior to the sale of the Relevant Optical Communication Products to the Restricted Customer(s), the Controlling Shareholder has been informed by the Restricted Customer(s) or is aware that such Restricted Customer(s) intend(s) to on-sell the Relevant Optical Communication Products purchased from the Controlling Shareholder, with or without further processing, to other customers in Hong Kong and/or ASEAN, the Controlling Shareholder shall not engage in such sale and shall refer such new business opportunity to the Group.

Further, each of the Controlling Shareholders has irrevocably and unconditionally, jointly and severally, undertaken to the Company (for itself and on behalf of other members of the Group) that he/it will procure any new business investment or other business opportunity relating to the Controlling Shareholders’ Restricted Business identified by or offered or made available to him/it and/or his/its close associates to be first referred to the Company.

REPORT OF DIRECTORS

For further details of the Deed of Non-Competition, please refer to the section headed “Relationship with Controlling Shareholders — Non-Competition Undertaking” in the Prospectus.

The following corporate governance measures have been adopted by the Group to monitor the compliance of the Deed of Non-competition for the year ended 31 December 2023:

- (i) Futong China has issued an internal memorandum to the relevant sales and marketing teams of Futong China Group to remind them of the restrictions in undertaking the Controlling Shareholders’ Restricted Business, pursuant to which (among other things) each of the members of the Futong China Group shall not directly or indirectly sell or manufacture the relevant products or otherwise conduct the relevant business in Hong Kong or the ASEAN in breach of the non-competition undertakings given by the Controlling Shareholders under the Deed of Non-Competition;
- (ii) Futong China has appointed a designated senior officer to monitor the compliance by the Futong Group with such undertaking under the Deed of Non-Competition from time to time after the Listing, whose duties and powers will include, among other things, reviewing all relevant sales records of the members of the Futong China Group;
- (iii) each of the Controlling Shareholders has provided all information requested by the Company, including but not limited to the following:
 - (a) a full list of customers of the Controlling Shareholder for the Relevant Optical Communication Products;
 - (b) details of the relevant sales of Relevant Optical Communication Products to the Controlling Shareholder’s customers; and
 - (c) samples of contracts entered into between the Controlling Shareholder and the Restricted Customers.

Each of the Controlling Shareholders has provided a declaration to the Company of his/its compliance with the Deed of Non-Competition from the period from the year ended 31 December 2023 up to the date of this report. The Controlling Shareholders also stated in the declaration that they are willing to abide by the Deed of Non-Competition in the future. The independent non-executive Directors have reviewed the relevant information and the status of compliance and confirmed that all the undertakings under the Deed of Non-Competition have been complied by each of the Controlling Shareholders from the period from the year ended 31 December 2023 to the date of this report.

DISCLOSURE OF DIRECTORS’ AND SUBSTANTIAL SHAREHOLDERS’ INTERESTS

(a) Directors’ and Chief Executives’ Interests and/or Short Positions in the Shares, Underlying Shares and Debentures of the Company or any Associated Corporation

As the period from the year ended 31 December 2023 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 Model Code for Security Transactions by Directors of Listed Issuers (the “Model Code”).

REPORT OF DIRECTORS

(b) Substantial Shareholders' Interest in Shares or Underlying Shares of the Company

So far as is known to the Directors, as the period from the year ended 31 December 2023 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.

Save as disclosed above, as the period from the year ended 31 December 2023 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. None of the substantial shareholders have pledged all or part of their interest in the Company's Shares for the year ended 31 December 2023.

REPORT OF DIRECTORS

DIVIDENDS

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

SHARE OPTION SCHEME

The Company has no share option scheme.

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 report.

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 report, 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.

REPORT OF 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 environmental, social and governance report, which forms part of this report, is set out on pages 31 to 61 of this report.

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 report.

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.

REPORT OF DIRECTORS

AUDIT COMMITTEE

The Company has established an audit committee with the written terms of reference in compliance with the 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 primary functions of the Audit Committee are to assist the Board in reviewing the financial information, overseeing the financial reporting system, risk management, internal control systems and relationship with external auditor, and arrangements to enable employees of the Company to raise concerns under the protection of confidentiality about possible improprieties in financial reporting, internal control or other matters of the Company.

The Group's audited consolidated annual results for the year ended 31 December 2023 have been reviewed by the Audit Committee pursuant to the relevant provisions contained in the Corporate Governance Code (the "CG Code") and was of the opinion that the preparation of such statements complied with the applicable accounting standards and that adequate disclosure has been made in respect thereof.

By Order of the Board

Transtech Optelecom Science Holdings Limited

He Xingfu

Chairman

Hong Kong, 28 March 2024

Mr. He Xingfu

Executive Director

Mr. Ren Guodong

Executive Director

INDEPENDENT AUDITOR'S REPORT



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To the Shareholders of Transtech Optelecom Science Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Transtech Optelecom Science Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 85 to 150, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2022, were audited by another auditor who expressed an unmodified opinion on those statements on 31 March 2023.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters we identified are:

1. Impairment assessment of trade receivables, deposits and other receivables
2. Impairment assessment of property, plant and equipment, deposits for acquisition of property, plant and equipment and long-term prepayments

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

How our audit addressed the Key Audit Matter

1. Impairment assessment of trade receivables, deposits and other receivables

As at 31 December 2023, the Group's net carrying amounts of trade receivables, deposits and other receivables were amounting to approximately HK\$42,554,000 and HK\$122,874,000 respectively. These two balances in total accounted for 32% of the Group's total assets.

As disclosed in Note 4 to the consolidated financial statements, the management of the Group estimates the amount of lifetime expected credit losses ("ECL") of the trade receivables individually. Estimated loss rates are based on the historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information.

In developing the loss allowance of deposits and other receivables, management assesses whether the expected credit loss rates have increased significantly since their initial recognition, and apply a three-stage impairment model to calculate their ECL. The expected credit loss rates assessed are determined with consideration of the repayment history, default history, and external default data of the counterparty, which is then adjusted to reflect current and forward-looking information such as macroeconomic factors affecting the ability of the counterparty to settle the receivables.

Our procedures in relation to the impairment assessment of trade receivables, deposits and other receivables included:

- Understanding and evaluating management's processes and internal controls related to the assessment of ECL for trade receivables, deposits and other receivables, and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of the inherent risk factors;
- Assessing the reasonableness of the assumptions used in the individual assessment performed by the management of the Group, on a sample basis, based on internal credit ratings, credit loss experience and customers' repayment history that are reasonable and supportable and taking into consideration forward-looking information available without undue costs or effort, and evaluating whether the loss rates applied are appropriate;
- Examining the application of significant increase in credit risk and defaults for deposits and other receivables by checking to historical payment record and past due days of the assets as defined by the management;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

How our audit addressed the Key Audit Matter

1. Impairment assessment of trade receivables, deposits and other receivables (Continued)

We identified impairment assessment of trade receivables, deposits and other receivables as a key audit matter due to the involvement of subjective judgement and management estimates in evaluating the ECL of the Group's trade receivables, deposits and other receivables at the end of the reporting period.

As disclosed in Note 29(c) to the consolidated financial statements, the ECL on trade receivables, deposits and other receivables as at 31 December 2023 were amounting to approximately HK\$146,466,000 and HK\$40,222,000 respectively in aggregate.

- Evaluating the outcome of prior period assessment of ECL of trade receivables, deposits and other receivables to assess the effectiveness of management's estimation process;
- Challenging management's basis and judgement in determining ECL on trade receivables, deposits and other receivables with the assistance of auditor's valuation expert, including their identification of credit-impaired trade receivables, deposits and other receivables and the estimation of loss rates for debtors which are assessed for ECL individually; and
- Evaluating the reasonableness of the forward-looking adjustments made to reflect current and forecast future economic condition against public available information.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter

How our audit addressed the Key Audit Matter

2. Impairment assessment of property, plant and equipment, deposits for acquisition of property, plant and equipment and long-term prepayments

As at 31 December 2023, net carrying amounts of property, plant and equipment ("PPE"), deposits for acquisition of PPE and long-term prepayments were amounted to approximately HK\$231,169,000, HK\$10,301,000 and HK\$16,941,000, respectively, and in total accounting for 50% of the Group's total assets. The carrying amounts of the Group's PPE, deposits for acquisition of PPE and long-term prepayments are written down to their recoverable amounts if in excess of their estimated recoverable amounts.

Management considers these assets or a group of these assets as a separate identifiable cash-generating unit ("CGU") by business line and monitors their financial performance for the existence of impairment indicators.

Due to the operating loss and temporary production suspension of the Group's optical fibres CGU, 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 the CGU.

The recoverable amount of the assets is determined by value in use calculations using discounted cash flow projections based on management's forecast, which involved using micro-economic assumptions such as future prices of finished goods and raw materials, market demand and discount rate as well as internal assumptions related to resume of production level, the future production capacity and volume and operating costs etc.

Our procedures in relation to the impairment assessment of PPE, deposits for acquisition of PPE and long-term prepayments included:

- Understanding and evaluating the accounting policies and the processes and the internal controls related to the impairment assessment on PPE, deposits for acquisition of PPE and long-term prepayments;
- Understanding and evaluating the scope of management's impairment assessment on assets by considering the indications of impairment independently;
- Assessing the reasonableness of management's identification of CGUs based on our knowledge of the business;
- Assessing the methodology used by management to determine the recoverable amounts of the CGUs in management's impairment testing;
- Checking, on a sample basis, the accuracy and relevance of the input data to supporting evidence, such as approved budgets and considering the reasonableness of these budgets by comparing the budgets to the historical results and the market data;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>2. Impairment assessment of property, plant and equipment, deposits for acquisition of property, plant and equipment and long-term prepayments (Continued)</p> <p>Impairment losses on PPE and long-term prepayments of approximately HK\$5,767,000 and HK\$22,430,000 respectively were recorded during the year to reduce the carrying amount of the CGU to its recoverable amount.</p> <p>The assessment of impairment involves significant estimation uncertainty, subjective assumptions and significant judgements by management. These estimates and judgements may be significantly affected by unanticipated changes in future markets and economic conditions, therefore, we considered this as a key audit matter.</p> <p>Please refer to Notes 4, 5, 15 and 18 to the consolidated financial statements for the accounting policies, significant accounting judgements and estimates and the relevant disclosures in the consolidated financial statements.</p>	<ul style="list-style-type: none">Assessing the appropriateness of the cash flows projections used in the calculation of the recoverable amounts of the CGUs, challenging the reasonableness of management's assumptions such as the future products prices, market demand, production plans and discount rate, etc. based on our knowledge of the business and industry by comparing the assumptions to historical results and published market and industry data and comparing the current year's actual results with the prior year forecast, where applicable;Auditor's valuation expert had been engaged to assist the review on the methodology of the recoverable amount calculations and discount rates; andAssessing whether appropriate impairment related disclosures are made in the consolidated financial statements.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee assists the directors in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Wong Tak Man, Stephen.

RSM Hong Kong
Certified Public Accountants

28 March 2024

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	6	174,208	232,753
Cost of sales		(156,743)	(202,893)
Gross profit		17,465	29,860
Other income	8	1,410	5,717
Other gains and losses	8	(12,848)	(5,065)
Impairment losses on financial assets	11	(17,754)	(70,145)
Impairment losses on property, plant and equipment and long-term prepayments	11	(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	10	(1,891)	(2,372)
Loss before tax	11	(65,247)	(68,156)
Income tax credit/(expense)	12	1,025	(2,664)
Loss for the year		(64,222)	(70,820)
Other comprehensive income:			
<i>Item that may be reclassified to profit or loss in subsequent periods:</i>			
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)	14	(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	15	231,169	134,702
Deposits for acquisition of property, plant and equipment	18	10,301	105,805
Deposits and prepayments	18	6,504	115,379
Deferred tax assets	25	17,388	13,511
		265,362	369,397
Current assets			
Inventories	16	57,495	59,510
Trade and bill receivables	17	42,554	56,463
Deposits, prepayments and other receivables	18	135,776	65,255
Tax receivables		1,430	1,450
Bank and cash balances	19	14,489	58,160
		251,744	240,838
Current liabilities			
Trade payables	20	15,941	22,177
Accruals and other payables	21	11,037	12,678
Contract liabilities	22	542	4,123
Bank borrowings	23	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
Non-current liability			
Provisions	26	556	753
NET ASSETS		450,362	512,917

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2023

	Notes	2023 HK\$'000	2022 HK\$'000
Capital and reserves			
Share capital	24	2,600	2,600
Reserves		447,762	510,317
TOTAL EQUITY		450,362	512,917

The consolidated financial statements on pages 85 to 150 were approved and authorised for issue by the Board of Directors on 28 March 2024 and are signed on its behalf by:

Mr. He Xingfu
Executive Director

Mr. Ren Guodong
Executive Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2023

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Foreign exchange reserve HK\$'000	Retained profits HK\$'000	Total equity HK\$'000
As at 1 January 2022	2,600	95,534	289,031	(10,288)	218,488	595,365
Loss for the year	-	-	-	-	(70,820)	(70,820)
Other comprehensive income	-	-	-	(11,628)	-	(11,628)
Total comprehensive income for the year	-	-	-	(11,628)	(70,820)	(82,448)
As at 31 December 2022 and 1 January 2023	2,600	95,534	289,031	(21,916)	147,668	512,917
Loss for the year	-	-	-	-	(64,222)	(64,222)
Other comprehensive income	-	-	-	1,667	-	1,667
Total comprehensive income for the year	-	-	-	1,667	(64,222)	(62,555)
As at 31 December 2023	2,600	95,534	289,031	(20,249)	83,446	450,362

Note: Other reserve represents (i) the contribution made by Futong Group Co., Ltd. ("Futong China", the parent company not forming part of Transtech Optelecom Science Holdings Limited and its subsidiaries (collectively referred to as the "Group")) to the Group; (ii) the change in proportionate share of the carrying amount of the net assets of Transtech Optical Communication Company Limited ("Transtech"), a subsidiary of Transtech Optelecom Science Holdings Limited (the "Company") 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"), a subsidiary of the Company.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(65,247)	(68,156)
Adjustments for:		
Depreciation of property, plant and equipment	9,221	11,535
Depreciation of right-of-use assets	–	5,367
Finance costs	1,891	2,372
Interest income	(72)	(28)
Gain on disposals of assets classified as held for sale	–	(2,152)
Provision for long service payment	(200)	(590)
Allowance for inventories	2,623	–
Impairment losses on financial assets	17,754	70,145
Impairment losses on property, plant and equipment and long-term prepayments	28,197	–
Operating (loss)/profit before working capital changes	(5,833)	18,493
(Increase)/decrease in inventories	(344)	8,791
Decrease in trade and bill receivables	25,509	61,447
Increase in deposits, prepayments and other receivables	(12,475)	(20,037)
Decrease in trade payables	(7,072)	(12,573)
Increase/(decrease) in accruals and other payables	1,763	(973)
(Decrease)/increase in contract liabilities	(3,579)	1,596
Cash (used in)/generated from operations	(2,031)	56,744
Income tax paid	(3,375)	(1,515)
Net cash (used in)/generated from operating activities	(5,406)	55,229
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	72	28
Deposit paid for acquisition of property, plant and equipment	(10,301)	–
Proceeds from disposals of property, plant and equipment	–	374
Proceeds from disposals of assets classified as held for sale	–	133
Purchases of property, plant and equipment	(7,584)	(1,029)
Net cash used in investing activities	(17,813)	(494)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 HK\$'000	2022 HK\$'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Bank borrowings raised	87,872	118,577
Repayments of bank and other borrowings	(106,316)	(119,882)
Principal elements of lease liabilities	–	(9,174)
Interest paid	(1,891)	(2,372)
Net cash used in financing activities	(20,335)	(12,851)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(43,554)	41,884
Effect of foreign exchange rate changes	(117)	2,276
CASH AND CASH EQUIVALENTS AT 1 JANUARY	58,160	14,000
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	14,489	58,160
ANALYSIS OF CASH AND CASH EQUIVALENTS		
Bank and cash balances	14,489	58,160

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. GENERAL INFORMATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Companies Law, Cap 22 (Law 3 of 1961, as consolidated and revised) of the Cayman Islands on 6 September 2016. The Company's shares were listed on Growth Enterprise Market ("GEM") of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") by way of global offering on 20 July 2017. Then, the Company successfully transferred its share listing from GEM to Main Board on 5 November 2020. The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in this annual report.

The Company is an investment holding company. The principal activities of its subsidiaries are set out in Note 33 to the consolidated financial statements.

In the opinion of the directors of the Company, Hong Kong Futong Optical Fibre Company Limited ("Futong HK"), a private company incorporated in Hong Kong, is the immediate holding company; Hangzhou Futong Investments Co., Ltd., a private company incorporated in the People's Republic of China ("PRC"), is the ultimate holding company and Mr. Wang Jianyi is the ultimate controlling party of the Company.

2. 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).

The HKICPA has issued certain new and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 3 to the consolidated financial statements provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. ADOPTION OF NEW AND REVISED HKFRSs

(a) Application 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 set out in these 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 but has affected the disclosure of the Group's accounting policies set out in Note 4 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(a) Application of new and revised HKFRSs (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

3. ADOPTION OF NEW AND REVISED HKFRSs (CONTINUED)

(b) New and revised HKFRSs in issue but not yet effective

The Group has not early applied any amendments to standards and interpretation that have been issued but are not yet effective for the financial year beginning on 1 January 2023. The amendments to standards and interpretation include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1 — Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to HKAS 1 — Non-current Liabilities with Covenants	1 January 2024
Amendments to HKFRS 16 — Lease Liability in a Sales and Leaseback	1 January 2024
Hong Kong Interpretation 5 (Revised) Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (“HK Int 5 (Revised)”)	1 January 2024
Amendments to HKAS 7 and HKFRS 7 — Supplier Finance Arrangements	1 January 2024
Amendments to HKAS 21 — Lack of Exchangeability	1 January 2025

The directors of the Company anticipate that the application of all other amendments to HKFRSs will not have material impact on the consolidated financial statements in the foreseeable future.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION

These consolidated financial statements have been prepared under the historical cost convention.

The preparation of consolidated financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 5 to the consolidated financial statements.

The material accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group has power over an entity when the Group has existing rights that give it the current ability to direct the relevant activities, i.e. activities that significantly affect the entity's returns.

When assessing control, the Group considers its potential voting rights as well as potential voting rights held by other parties. A potential voting right is considered only if the holder has the practical ability to exercise that right.

Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date the control ceases.

The gain or loss on the disposal of a subsidiary that results in a loss of control represents the difference between (i) the fair value of the consideration of the sale plus the fair value of any investment retained in that subsidiary and (ii) the Company's share of the net assets of that subsidiary plus any remaining goodwill and any accumulated translation reserve relating to that subsidiary.

Intragroup transactions, balances and unrealised profits are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(b) Separate financial statements

In the Company's statement of financial position, investments in subsidiaries are stated at cost less accumulated impairment losses. Cost includes direct attributable costs of investments. The results of subsidiaries are accounted for by the Company on the basis of dividend received or receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(c) Foreign currency translation

(i) *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollars ("HK\$"), which is the Company's functional and presentation currency.

(ii) *Transactions and balances in each entity's financial statements*

Transactions in foreign currencies are translated into the functional currency on initial recognition using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the exchange rates at the end of each reporting period. Gains and losses resulting from this translation policy are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the entity initially recognises such non-monetary assets or liabilities. Non-monetary items that are measured at fair value in foreign currencies are translated using the exchange rates at the dates when the fair values are determined.

When a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. When a gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(c) Foreign currency translation (Continued)

(iii) Translation on consolidation

The results and financial position of all foreign operations (none of which has the currency of hyperinflationary economy) that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- Income and expenses are translated at average exchange rates for the period (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and
- All resulting exchange differences are recognised in other comprehensive income and accumulated in the translation reserve.

On consolidation, exchange differences arising from the translation of monetary items that form part of the net investment in foreign entities are recognised in other comprehensive income and accumulated in the translation reserve. When a foreign operation is sold, such exchange differences are reclassified to consolidated profit or loss as part of the gain or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(d) Property, plant and equipment

Property, plant and equipment including buildings are held for use in the production or supply of goods, or for administrative purposes (other than freehold land and construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised in profit or loss during the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(d) Property, plant and equipment (Continued)

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The principal annual rates are as follows:

Buildings		5%
Leasehold improvements	Shorter of 3 to 10 years or over the lease term	
Machinery		10%
Furniture and fixtures		20%
Office equipment		20%
Motor vehicles		20%

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Freehold land is not depreciated and is measure at cost, less subsequent accumulated impairment losses.

Construction in progress represents buildings under construction and plant and equipment pending installation, and is stated at cost less accumulated impairment losses. Depreciation begins when the relevant assets are available for use (i.e. when they are in the location and condition necessary for them to be capable of operating in the manner intended by management).

The gain or loss on disposal of property, plant and equipment is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in profit or loss.

(e) Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group as a lessee

The Group applies the short-term lease recognition exemption to its short-term leases of staff quarters, plant and office premises (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of finished goods and work in progress comprises raw materials, direct labour and an appropriate proportion of all production overhead expenditure. The costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

(g) Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

When the contract includes a significant financing component, the contract balance includes interest accrued under the effective interest method.

(h) Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the consolidated statement of financial position when the Group entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(i) Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Debt instruments

Debt instruments held by the Group are classified into amortised cost, if the instrument is held for the collection of contractual cash flows which represent solely payments of principal and interest. Interest income from the instrument is calculated using the effective interest method. Typically trade and bill receivables, deposits and other receivables, bank and cash balances are classified in this category.

(j) Trade and other receivables

A receivable is recognised when the Group has an unconditional right to receive consideration. A right to receive consideration is unconditional if only the passage of time is required before payment of that consideration is due.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method less allowance for credit losses.

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL.

(l) Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument under HKFRSs. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted for specific financial liabilities and equity instruments are set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(m) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(n) Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

(o) Equity instruments

An equity instrument is any contract that evidence a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

(p) Revenue and other income

Revenue is recognised when control over a product is transferred to the customer, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Revenue from the sales of optical fibres, optical fibre cables, optical cable cores and other related products is recognised when control of the goods has transferred, being when the goods have been delivered to the customers' specific location (delivery). Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, has the primary responsibility when on selling the goods and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised by the Group when the goods are delivered to the customers as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due.

Revenue from the sales of scrap products is recognised when control of the scrap products has transferred to the customer, being at the point the scrap products are delivered to the customer.

Service fee income is recognised when the services are rendered.

Interest income is recognised as it accrues using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset. For credit impaired financial assets, the effective interest rate is applied to the amortised cost (i.e. gross carrying amount net of loss allowance) of the asset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(q) Employee benefits

(i) *Employee leave entitlements*

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the end of the reporting period.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) *Pension obligations*

The Group contributes to defined contribution retirement schemes which are available to all employees. Contributions to the schemes by the Group and employees are calculated as a percentage of employees' basic salaries. The retirement benefit scheme cost charged to profit or loss represents contributions payable by the Group to the funds.

For LSP obligation, the Group accounts for the employer MPF contributions expected to be offsetted as a deemed employee contribution towards the LSP obligation in term of HKAS 19 paragraph 93(a) and it is measured on a net basis. The estimated amount of future benefit is determined after deducting the negative service cost arising from the accrued benefits derived from the Group's MPF contributions that have been vested with employees, which are deemed to be contributions from the relevant employees.

(iii) *Termination benefits*

Termination benefits are recognised at the earlier of the dates when the Group can no longer withdraw the offer of those benefits, and when the Group recognises restructuring costs and involves the payment of termination benefits.

(r) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(s) Government grants

A government grant is recognised when there is reasonable assurance that the Group will comply with the conditions attaching to it and that the grant will be received.

Government grants that become receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

(t) Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit recognised in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of transaction does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the end of the reporting period. Deferred tax is recognised in profit or loss, except when it relates to items recognised in other comprehensive income or directly in equity, in which case the deferred tax is also recognised in other comprehensive income or directly in equity.

The measurement of deferred tax assets and liabilities reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis, or to realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(u) Impairment of non-financial assets

The carrying amounts of non-financial assets are reviewed at each reporting date for indications of impairment and where an asset is impaired, it is written down as an expense through the consolidated statement of profit or loss to its estimated recoverable amount unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. If this is the case, recoverable amount is determined for the cash-generating unit ("CGU") to which the asset belongs. Recoverable amount is the higher of value in use and the fair value less costs of disposal of the individual asset or the CGU.

Value in use is the present value of the estimated future cash flows of the asset/CGU. Present values are computed using pre-tax discount rates that reflect the time value of money and the risks specific to the asset/CGU whose impairment is being measured.

Impairment losses for CGUs are allocated first against the goodwill of the unit and then pro rata amongst the other assets of the CGU. Subsequent increases in the recoverable amount caused by changes in estimates are credited to profit or loss to the extent that they reverse the impairment unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(v) Impairment of financial assets

The Group recognises a loss allowance for ECL on financial assets that are measured at amortised cost including trade and bill receivables, deposits and other receivables and bank and cash balances. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

For trade and bill receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECL. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECL at each reporting date. The ECL on trade and bill receivables are assessed on individual basis.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

Lifetime ECL represent the ECL that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(v) Impairment of financial assets (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk for a particular financial instrument;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if:

- (i) The financial instrument has a low risk of default,
- (ii) The debtor has a strong capacity to meet its contractual cash flow obligations in the near term, and
- (iii) Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(v) Impairment of financial assets (Continued)

Significant increase in credit risk (Continued)

The Group considers a financial asset to have low credit risk when the asset has external credit rating of “investment grade” in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of “low risk”. Low risk means that the counterparty has a strong financial position and there is no past due amounts.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet either of the following criteria are generally not recoverable.

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default or past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty’s financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(v) Impairment of financial assets (Continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, including when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date.

For financial assets, the ECL are estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date, except for assets for which simplified approach was used.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account.

(w) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

4. MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

(x) Events after the reporting period

Events after the reporting period that provide additional information about the Group's position at the end of the reporting period or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the consolidated financial statements. Events after the reporting period that are not adjusting events are disclosed in the notes to the consolidated financial statements when material.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

In applying the Group's accounting policies, which are described in Note 4 to the consolidated financial statements, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the consolidated financial statements (apart from those involving estimations, which are dealt with below).

Significant increase in credit risk

As explained in Note 4(v) to the consolidated financial statements, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. HKFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) *Impairment assessment of trade receivables*

The Group assesses ECL of trade receivables individually. The estimated loss rates are based on internal credit ratings, credit loss experience, and customers' repayment history that are reasonable and supportable and taking into consideration forward-looking information available without undue costs or effort.

The loss allowance amount of the trade receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit losses. The assessment of credit risk of trade receivables involves high degree of estimation uncertainty.

At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered. The provision of ECL is sensitive to changes in estimates.

As at 31 December 2023, the carrying amount of trade receivables was approximately HK\$42,554,000, net of allowance for credit losses of approximately HK\$146,466,000 (2022: approximately HK\$54,744,000, net of allowance for credit losses of approximately HK\$167,011,000).

Details of the Group's trade receivables and the Group's assessment of ECL are disclosed in Notes 17 and 29(c)(i) to the consolidated financial statements respectively.

(b) *Impairment of non-financial assets*

The Group assesses whether there are any indicators of impairment for non-financial assets (including the property, plant and equipment and long-term prepayments) at the end of each reporting period. Non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or CGU and choose a suitable discount rate in order to calculate the present value of those cash flows.

As at 31 December 2023, the carrying amounts of property, plant and equipment and long-term prepayments were approximately HK\$231,169,000 (net of impairment of approximately HK\$5,767,000) (2022: approximately HK\$134,702,000 (net of impairment of Nil)) and approximately HK\$16,941,000 (net of impairment of approximately HK\$22,430,000) (2022: approximately HK\$175,129,000 (net of impairment of Nil)) respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (Continued)

(c) *Impairment assessment of deposits for purchase of raw materials*

The Group assesses ECL of deposits for purchase of raw materials on an individual basis. The assessment includes evaluation of collectability and aging analysis of the deposits and on management's judgement on creditworthiness and past collection history of each counterparty. The provision of ECL is sensitive to change in estimates, the management of the Group has exercised judgement and made such estimation and is satisfied that the estimates are reflective of current market and deposits' specific condition.

As at 31 December 2023, the carrying amount of deposits for purchase of raw materials was approximately HK\$121,154,000, net of impairment of approximately HK\$29,493,000 (2022: Nil).

Details of the Group's impairment assessment on deposits for purchase of raw materials are disclosed in Notes 18 and 29(c) to the consolidated financial statements.

(d) *Net realisable value of inventories*

Net realisable value of inventories is the estimated selling price in the ordinary course of business, less estimated costs of completion and selling expense. These estimates are based on current market conditions and the historical experience of manufacturing and selling products of similar nature. It could change significantly as a result of changes in customer's taste and competitor's actions in response to severe industry cycles. The Group will reassess the estimates by the end of each reporting period.

(e) *Deferred tax assets*

As at 31 December 2023, a deferred tax asset of approximately HK\$5,198,000 (2022: HK\$9,900,000) in relation to unused tax losses for Hong Kong operating subsidiary has been recognised in the consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of approximately HK\$115,104,000 (2022: approximately HK\$74,951,000) due to the unpredictability of future profit streams for entities operating in Hong Kong. The realisability of the deferred tax asset mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future, which is a key source of estimation uncertainty. In cases where the actual future taxable profits generated are less or more than expected, or change in facts and circumstances which result in revision of future taxable profits estimation, a material reversal or further recognition of deferred tax assets may arise, which would be recognised in profit or loss for the period in which such a reversal or further recognition takes place.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

6. REVENUE

(a) 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

6. REVENUE (CONTINUED)

(b) Performance obligations for contracts with customers

Information about the Group's performance obligations is summarised below:

Sale of goods

The Group manufactures and sells optical fibres, optical fibre cables, optical cable cores and other related products to customers.

For manufacturing and sales of the optical fibres, optical fibre cables, optical cable cores and other related products to the customers, revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customers' specific location ("Delivery").

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 6%–38% (2022: 20%–30%) deposit depending on the contract terms.

Following the Delivery, the customers have full discretion over the manner of distribution and price to sell the goods, have the primary responsibility when on selling the goods and bear the risks of obsolescence and loss in relation to the goods. The normal credit term is 14 to 360 days (2022: 14 to 360 days) upon delivery.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are as follows:

	2023 HK\$'000	2022 HK\$'000
Sale of optical fibre cables within one year	1,900	37,727

7. 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 (the "CODM") 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.

The accounting policies of the operating and reportable segments are the same as the Group's accounting policies described in Note 4 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

7. SEGMENT INFORMATION (CONTINUED)

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

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

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)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

7. SEGMENT INFORMATION (CONTINUED)

Segment revenue and results (Continued)

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)

Other segment information

Year ended 31 December 2023

	Optical fibre cables, optical cable cores and other related products HK\$'000	Optical fibres HK\$'000	Total HK\$'000
Amounts charged/(credited) included in the measure of segment results			
Depreciation of property, plant and equipment	4,072	5,149	9,221
Impairment losses on property, plant and equipment and long-term prepayments	–	28,197	28,197
Impairment losses/(reversal of impairment losses) on financial assets	31,088	(13,334)	17,754

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

7. SEGMENT INFORMATION (CONTINUED)

Other segment information (Continued)

Year ended 31 December 2022

	Optical fibre cables, optical cable cores and other related products HK\$'000	Optical fibres HK\$'000	Total HK\$'000
Amounts (credited)/charged included in the measure of segment results			
Depreciation of property, plant and equipment	6,293	5,242	11,535
Depreciation of right-of-use assets	–	5,367	5,367
Gain on disposals of assets classified as held for sale	(2,152)	–	(2,152)
Impairment losses on financial assets	46,330	23,815	70,145

Geographical information

The Group's operations are located in Hong Kong and Thailand.

Information about the Group's revenue from external customers is presented based on the customers' geographical location, which is based on billing address, as below:

	2023 HK\$'000	2022 HK\$'000
Thailand	110,548	118,495
Germany	26,882	36,239
Indonesia	1,343	28,382
Italy	–	20,221
Myanmar	5,253	10,313
Malaysia	2,099	7,947
The Philippines	24,618	7,470
Slovenia	–	1,655
Seychelles	808	1,608
Hong Kong	–	421
Greece	2,657	–
Others	–	2
	174,208	232,753

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

7. SEGMENT INFORMATION (CONTINUED)

Geographical information (Continued)

Information about the Group's non-current assets is presented based on the geographical location of the assets as below:

	2023 HK\$'000	2022 HK\$'000
Hong Kong	10,900	30,296
Thailand	237,052	325,545
	247,952	355,841

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:

	2023 HK\$'000	2022 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

8. OTHER INCOME, OTHER GAINS AND LOSSES

	2023 HK\$'000	2022 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

The emoluments paid or payable to the directors and chief-executive of the Company by entities comprising the Group during the year are as follows:

	Fees (Note (iii)) HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
Chief executive officer and executive director				
He Xingfu (Note ii)	360	1,346	18	1,724
Executive directors				
Hu Guoqiang (Note i)	240	–	–	240
Xu Jinjie	–	523	1	524
Yin Zhou	120	–	–	120
Ren Guodong	120	572	18	710
	480	1,095	19	1,594
Independent non-executive directors				
Li Wei	240	–	–	240
Leong Chew Kuan	240	–	–	240
Lau Siu Hang	240	–	–	240
	720	–	–	720
Total emoluments for 2023	1,560	2,441	37	4,038

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS

(a) Directors' and chief executive's emoluments

	Fees (Note (iii)) HK\$'000	Salaries and other benefits HK\$'000	Retirement benefits scheme contributions HK\$'000	Total emoluments HK\$'000
Chief executive officer and executive director				
He Xingfu (Note ii)	360	1,381	18	1,759
Executive directors				
Hu Guoqiang	480	–	–	480
Pan Jinhua (Note iv)	270	–	–	270
Xu Jinjie (Note v)	–	166	–	166
Sun Jing (Note iv)	90	–	–	90
Yin Zhou (Note v)	30	–	–	30
Ren Guodong	120	583	18	721
	990	749	18	1,757
Independent non-executive directors				
Li Wei	240	–	–	240
Leong Chew Kuan	240	–	–	240
Lau Siu Hang	240	–	–	240
	720	–	–	720
Total emoluments for 2022	2,070	2,130	36	4,236

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FOR THE YEAR ENDED 31 DECEMBER 2023

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

Notes:

- (i) Mr. Hu Guaqiang resigned as executive director and Chairman of the Board of Directors (the "Board") on 1 July 2023.
- (ii) Mr. He Xingfu acts as chief executive officer of the Group and appointed as Chairman of the Board on 1 July 2023. Emoluments for acting as chief executive officer of the Group has been included in his director's emoluments as disclosed above.
- (iii) The executive directors' emoluments shown above were for their services in connection with management of the affairs of the Company and Group. The emoluments of non-executive directors shown above were for their services as the directors of the Company.
- (iv) Mr. Pan Jinhua and Ms. Sun Jing resigned as executive directors on 1 October 2022.
- (v) Mr. Xu Jinjie and Mr. Yin Zhou were appointed as executive directors on 1 October 2022.

During both years, no remuneration was paid by the Group to any director or the chief executive of the Company as an inducement to join or upon joining the Group or as compensation for loss of office. Neither the chief executive nor any of the directors waived any remuneration during both years.

(b) Employees' emoluments

The five highest paid individuals of the Group during the year included two directors (2022: four directors) whose emoluments are included in the disclosures in (a) above. The emoluments of the remaining three (2022: one) individuals who are neither a director nor chief executive of the Company are as follows:

	2023 HK\$'000	2022 HK\$'000
Salaries and other benefits	1,986	915
Discretionary bonus (Note)	–	38
Retirement benefits scheme contributions	54	18
	2,040	971

Note: The discretionary bonus is determined with references to the performance of individual employee and the Group.

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FOR THE YEAR ENDED 31 DECEMBER 2023

9. DIRECTORS' AND EMPLOYEES' EMOLUMENTS (CONTINUED)

(b) Employees' emoluments (Continued)

The number of non-director and non-chief executive highest paid employee whose remuneration fell within the following bands:

	Number of individual	
	2023	2022
Nil to HK\$1,000,000	3	1

10. FINANCE COSTS

	2023 HK\$'000	2022 HK\$'000
Interest on bank and other borrowings	1,891	2,357
Interest on lease liabilities	–	15
	1,891	2,372

11. LOSS BEFORE TAX

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

	2023 HK\$'000	2022 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)
	–	–

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FOR THE YEAR ENDED 31 DECEMBER 2023

11. LOSS BEFORE TAX (CONTINUED)

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

	2023 HK\$'000	2022 HK\$'000
Employee benefit expense, inclusive of directors' emoluments:		
Directors' remuneration (Note 9)	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	–

12. INCOME TAX (CREDIT)/EXPENSE

Income tax has been recognised in profit or loss as following:

	2023 HK\$'000	2022 HK\$'000
Thailand Corporate Income Tax		
Current tax	2,686	2,262
Thailand withholding tax	107	93
Deferred tax (Note 25)	(3,818)	309
	(1,025)	2,664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

12. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

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.

The provision for Thailand Corporate Income Tax is based on the statutory rate of 20% on the estimated assessable profits. 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”.

No provision for Hong Kong Profits Tax is required since the group entities have no assessable profit for both years.

The tax (credit)/expense for both years can be reconciled to the loss before tax as follows:

	2023 HK\$'000	2022 HK\$'000
Loss before tax	(65,247)	(68,156)
Tax at the statutory income tax rate	(11,371)	(11,962)
Tax effect of income that is not taxable	(456)	(131)
Tax effect of expenses that are not deductible	6,804	5,231
Tax effect of tax loss not recognised	6,601	12,367
Tax concession	(2,710)	(2,934)
Withholding tax on the income derived from a subsidiary in Thailand of 15%	107	93
Income tax (credit)/expense for the year	(1,025)	2,664

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

13. DIVIDEND

The Board of Directors of the Company does not recommend the payment of any dividend in respect of the years ended 31 December 2023 and 2022.

14. 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 HK\$'000	2022 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 '000	2022 '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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

15. PROPERTY, PLANT AND EQUIPMENT

	Freehold land HK\$'000	Buildings HK\$'000	Leasehold improvements HK\$'000	Machinery HK\$'000	Furniture and fixtures HK\$'000	Office equipment HK\$'000	Motor vehicles HK\$'000	Construction in progress HK\$'000	Total HK\$'000
COST									
As at 1 January 2022	27,779	43,746	53,091	107,355	6,584	1,824	3,122	67,577	311,078
Additions	-	-	-	-	75	4	86	864	1,029
Disposals	-	-	-	-	-	(5)	-	-	(5)
Exchange realignment	(997)	(1,570)	(786)	(1,465)	(218)	(37)	(87)	(2,417)	(7,577)
As at 31 December 2022 and 1 January 2023	26,782	42,176	52,305	105,890	6,441	1,786	3,121	66,024	304,525
Additions	-	-	-	731	571	-	-	108,528	109,830
Disposal	-	-	-	-	(4)	-	-	-	(4)
Exchange realignment	166	262	131	250	41	6	15	1,314	2,185
As at 31 December 2023	26,948	42,438	52,436	106,871	7,049	1,792	3,136	175,866	416,536
ACCUMULATED DEPRECIATION AND IMPAIRMENT									
As at 1 January 2022	-	18,115	52,395	79,759	5,982	1,800	3,122	-	161,173
Provided for the year	-	2,087	201	8,923	306	12	6	-	11,535
Eliminated on disposals	-	-	-	-	-	(5)	-	-	(5)
Exchange realignment	-	(629)	(786)	(1,144)	(196)	(37)	(88)	-	(2,880)
As at 31 December 2022 and 1 January 2023	-	19,573	51,810	87,538	6,092	1,770	3,040	-	169,823
Provided for the year	-	2,106	190	6,703	198	7	17	-	9,221
Eliminated on disposal	-	-	-	-	(4)	-	-	-	(4)
Impairment	-	-	-	5,767	-	-	-	-	5,767
Exchange realignment	-	137	131	235	36	6	15	-	560
As at 31 December 2023	-	21,816	52,131	100,243	6,322	1,783	3,072	-	185,367
CARRYING AMOUNTS									
As at 31 December 2023	26,948	20,622	305	6,628	727	9	64	175,866	231,169
As at 31 December 2022	26,782	22,603	495	18,352	349	16	81	66,024	134,702

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at 31 December 2023, the carrying amounts of property, plant and equipment and long-term prepayments belong to the reporting segment of optical fibres were approximately HK\$10,185,000 and HK\$39,371,000 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 CGU to which the assets belong based on value in use of the CGU.

The recoverable amount of the CGU is determined on the basis of the value in use using discounted cash flow method as assessed by independent qualified professional valuer and approved by the directors. The key assumptions for the discounted cash flow method are those regarding the discount rate, growth rate and budgeted gross margin and revenue during the period. The Group estimates discount rate using pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the CGU. Budgeted gross margin and revenue are based on past practices and expectations on market development.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by the directors for the next five years with assumption of the production would be resume normal in coming year, an average growth rate of 4.8% for the subsequent four years and the residual period using the growth rate of 2.5% which is based on long-term average economic growth rate of the geographical area in which the business of the CGU operates. The rate used to discount the forecast cash flows from the CGU is 14.2%. Based on the value in use calculation, the impairment losses on property, plant and equipment and long-term prepayments (Note 18 to the consolidated financial statements) amounting to approximately HK\$5,767,000 and HK\$22,430,000 respectively were recognised during the year to reduce the carrying amount of the CGU to its recoverable amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

16. INVENTORIES

	2023 HK\$'000	2022 HK\$'000
Raw materials and consumables	25,017	23,410
Work in progress	15,409	7,413
Finished goods	19,534	27,200
Goods-in-transit	164	1,487
	60,124	59,510
Less: Inventory provision	(2,629)	–
	57,495	59,510

17. TRADE AND BILL RECEIVABLES

	2023 HK\$'000	2022 HK\$'000
Trade receivables	189,020	221,755
Less: Loss allowance	(146,466)	(167,011)
	42,554	54,744
Bill receivable	–	1,719
Total trade and bill receivables	42,554	56,463

The Group's trading terms with its customers are mainly on credit, except for new customers, where payment is required either in advance or upon delivery. Credit periods allowed are determined according to relevant business practice and the relevant type of goods and generally are in the range of 14 to 360 days (2022: 14 to 360 days) from the invoice date and cash realisation may be further extended by three to six months for those customers paying by bank acceptance notes. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed and followed up regularly by senior management.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

17. TRADE AND BILL RECEIVABLES (CONTINUED)

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.

	2023 HK\$'000	2022 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.

Details of impairment assessment of trade and bill receivables for the years ended 31 December 2023 and 2022 are set out in Note 29(c) to the consolidated financial statements.

The carrying amounts of the Group's trade and bill receivables are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
Renminbi ("RMB")	10,226	10,053
Thai Baht ("THB")	28,184	31,698
United States dollars ("USD")	4,144	14,712
	42,554	56,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

18. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES Non-current portion

	2023 HK\$'000	2022 HK\$'000
Prepayments	15,065	115,334
Deposits for acquisition of property, plant and equipment	10,301	105,805
Other deposits	22	45
Less: Loss allowances	(8,583)	–
	16,805	221,184

Current portion

	2023 HK\$'000	2022 HK\$'000
Electricity deposits	785	785
Other deposits	113	113
Deposits for purchase of raw materials	150,647	–
Prepayments	24,646	59,795
Other receivables	11,529	11,267
Other tax receivables	2,125	4,058
Less: Loss allowances	(54,069)	(10,763)
Total	135,776	65,255

As at 31 December 2023, included in prepayments of carrying amount approximately HK\$16,941,000 (net of impairment loss of HK\$22,430,000) (2022: approximately HK\$174,551,000 (net of impairment loss of Nil)) represented advances made to a supplier for purchase of raw materials. Details of impairment assessment are set out in Note 15 to the consolidated financial statements.

For deposits for purchase of raw materials, on 28 December 2023, the Group executed a supplementary agreement with a supplier to secure the conditions governing the refund of payments. This agreement grants the Group an exclusive and unconditional right to request a refund at any time.

As at 31 December 2023, the directors of the Company have reassessed the Group's ability to utilise the deposits for purchase of raw materials in view of the declining market prices and considered not probable that the deposits will be fully used for its original purpose. Consequently, the Group expects to exercise its right to a partial refund, with an estimated gross amount of approximately HK\$138,654,000 to be requested during the year ending 31 December 2024. These deposits are recorded as a current asset in the consolidated statement of financial position.

Details of impairment assessment of deposits and other receivables are set out in Note 29(c) to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

19. BANK AND CASH BALANCES

Bank balances carry interest at market interest rates ranging from 0.01% to 1% per annum as at 31 December 2023 (2022: 0.01% to 0.23%).

Details of impairment assessment of bank balances are set out in Note 29(c) to the consolidated financial statements.

20. TRADE PAYABLES

	2023 HK\$'000	2022 HK\$'000
Trade payables	15,941	22,177

The credit period granted to the Group by suppliers normally ranged from 30 to 180 days (2022: 30 to 180 days). The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	2023 HK\$'000	2022 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

The carrying amount of the Group's trade payables are denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
HK\$	981	592
RMB	5,001	10,392
THB	5,444	6,656
USD	4,515	4,537
	15,941	22,177

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

21. ACCRUALS AND OTHER PAYABLES

	2023 HK\$'000	2022 HK\$'000
Accruals	3,950	6,012
Payables for acquisition of property, plant and equipment	1,020	6,578
Other payables	6,067	88
	11,037	12,678

22. CONTRACT LIABILITIES

	2023 HK\$'000	2022 HK\$'000
Short-term advances received from customers — Sales of optical fibre cables	542	4,123

When the Group receives a deposit before the production activity commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit. The Group typically receives a 6%–38% (2022: 20%–30%) deposit depends on the contract terms.

Movements in contract liabilities:

	2023 HK\$'000	2022 HK\$'000
Balance as at 1 January	4,123	2,604
Decrease in contract liabilities as a result of recognising revenue during the year was included in the contract liabilities at the beginning of the year	(4,107)	(2,364)
Increase in contract liabilities as a result of receiving advance payment from customers	528	3,960
Exchange realignment	(2)	(77)
Balance as at 31 December	542	4,123

No billings in advance of performance received that is expected to be recognised as income after more than one year (2022: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

23. BANK BORROWINGS

	2023		2022	
	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000
Bank borrowings — unsecured	5%	37,564	4.87%	55,800

Analysed into:

	2023 HK\$'000	2022 HK\$'000
By nature		
Variable rate bank borrowings	37,564	55,800
By maturity		
Bank borrowings repayable: Within one year or on demand	37,564	55,800

The carrying amount of the Group's bank borrowings is denominated in the following currencies:

	2023 HK\$'000	2022 HK\$'000
RMB	915	38,579
THB	36,649	5,595
USD	—	11,626
	37,564	55,800

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

24. SHARE CAPITAL

	Number of shares	Amount HK\$'000
Authorised:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023, ordinary shares of HK\$0.01 each	1,000,000,000	10,000
Issued and fully paid:		
As at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	260,000,000	2,600

Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes borrowings, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital and reserves.

The directors of the Company review the capital structure by considering the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors of the Company, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements, except for the requirement to maintain its listing on the Stock Exchange that it has to have a public float of at least 25% of the shares.

The Group receives a report from the share registrars regularly on substantial share interests showing the non-public float and it demonstrates continuing compliance with the 25% limit throughout the year. As at 31 December 2023, over 25% (2022: over 25%) of the shares were in public hands.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

25. DEFERRED TAX

The following are the major deferred tax assets/(liabilities) recognised and movements thereon during the years:

Deferred tax

	Tax loss HK\$'000	Long service payment HK\$'000	ECL provision HK\$'000	Accelerated tax depreciation HK\$'000	Impairment on long-term prepayments HK\$'000	Total HK\$'000
As at 1 January 2022	15,738	298	704	(2,920)	–	13,820
Credited/(charged) to profit or loss (Note 12)	(5,838)	(223)	5,101	651	–	(309)
As at 31 December 2022 and 1 January 2023	9,900	75	5,805	(2,269)	–	13,511
Credited/(charged) to profit or loss (Note 12)	(4,702)	(20)	3,052	1,787	3,701	3,818
Exchange realignment	–	1	58	–	–	59
As at 31 December 2023	5,198	56	8,915	(482)	3,701	17,388

The following is the analysis of the deferred tax for presentation purpose in the consolidated statement of financial position:

	2023 HK\$'000	2022 HK\$'000
Deferred tax assets	17,388	13,511
Deferred tax liabilities	–	–
	17,388	13,511

At the end of the reporting period, the Group has estimated unused tax losses of approximately HK\$146,608,000 (2022: approximately HK\$134,951,000) available for offset against future profits. A deferred tax asset has been recognised in respect of approximately HK\$31,504,000 (2022: HK\$60,000,000) of such losses. No deferred tax asset has been recognised in respect of the remaining approximately HK\$115,104,000 (2022: approximately HK\$74,951,000) due to the unpredictability of future profit streams. The tax losses may be carried forward indefinitely.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

26. PROVISIONS

	Long service payment HK\$'000
As at 1 January 2022	1,398
Amount reversed during the year	(590)
Exchange realignment	(55)
As at 31 December 2022 and 1 January 2023	753
Amount reversed during the year	(200)
Exchange realignment	3
As at 31 December 2023	556

The Group provides for the probable future long service payment expected to be made to employees under the Employment Ordinance in Thailand. The provision represents management's best estimate of the probable future payments which have been earned by the employees from their services to the Group up to the end of the reporting period.

27. CAPITAL COMMITMENT

	2023 HK\$'000	2022 HK\$'000
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	–	9,788

28. OPERATING LEASE ARRANGEMENTS

The Group as lessee

The Group regularly entered into short-term leases for staff quarters and plant and office premises for its operations with termination option. As at 31 December 2023, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 11 to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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29. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Categories of financial instruments as at 31 December

	2023 HK\$'000	2022 HK\$'000
Financial assets		
Financial assets at amortised cost	179,917	116,070
Financial liabilities		
Financial liabilities at amortised cost	62,625	84,643

(b) Market risk

(i) Foreign currency risk

The Group has minimal exposure to foreign currency risk as most of its business transactions, assets and liabilities are principally denominated in the functional currencies of the Group entities in HK\$, USD and RMB. Accordingly, the Group is not exposed to significant foreign currency risk, except for the bank and cash balances, trade and bill receivables, and inter-company balances of certain Group entities denominated in USD and RMB. The Group currently does not have a foreign currency hedging policy. However, the management closely monitors its foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting period are as follows:

Assets

	2023 HK\$'000	2022 HK\$'000
RMB	133,540	11,904
USD	12,314	38,775
Intra group balance USD	55,178	59,987

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29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Foreign currency risk (Continued)

Liabilities

	2023 HK\$'000	2022 HK\$'000
RMB	5,915	56,780
USD	5,548	16,118
Intra group balance USD	55,242	61,403

Sensitivity analysis

Included in the carrying amounts of the Group's foreign currency denominated monetary assets and liabilities are certain USD denominated amounts held by Transtech. As HK\$ is pegged to USD, Transtech's foreign currency risk related to USD is insignificant and the sensitivity analysis is not presented.

The following table details the Group's other sensitivity to a 5% (2022: 5%) increase and decrease in the relevant foreign currencies against the functional currency of the respective group entity (i.e. HK\$ and THB) to which they relate 5% (2022: 5%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, including inter-company balances, and adjusts their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rates. A positive number below indicates an decrease in post-tax loss where the relevant foreign currencies strengthen 5% (2022: 5%) against HK\$. For a 5% (2022: 5%) weakening of the relevant foreign currencies against HK\$, there would be an equal and opposite impact and the numbers below would be negative.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Market risk (Continued)

(i) Foreign currency risk (Continued) Sensitivity analysis

	RMB impact		USD impact	
	2023 HK\$'000	2022 HK\$'000	2023 HK\$'000	2022 HK\$'000
Loss after tax	(6,151)	(2,109)	(2,958)	(1,930)

(ii) 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 as at 31 December 2023 and 2022.

The Group currently does not have interest rate hedging policy. However, management will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to variable interest rates for bank borrowings at the end of the reporting period. The analysis is prepared assuming the bank borrowings outstanding at the end of the reporting period were outstanding for the whole year. A 100 basis points (2022: 100 basis points) increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

For the year ended 31 December 2023, if interest rates had been 100 basis points (2022: 100 basis points) higher/lower and all other variables were held constant, the Group's post-tax loss for the year would increase/decrease by approximately HK\$338,000 (2022: HK\$502,000). This is mainly attributable to the Group's exposure to interest rates on its variable-rate bank borrowings.

No sensitivity analysis is provided on variable-rate bank balances as the management of the Group considers that the interest rate fluctuation on bank balances is minimal and the impact from the exposure to interest rate risk sensitivity is considered insignificant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk

Credit risk is the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bill receivables, deposits and other receivables and bank balances. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets.

The Group performed impairment assessment for financial assets under ECL model. Information about the Group's credit risk management, maximum credit risk exposures and the related impairment assessment, if applicable, are summarised as below:

The tables below detail the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating (Note c)	12-month or lifetime ECL	Gross carrying amount	
					2023 HK\$'000	2022 HK\$'000
Financial assets at amortised cost						
Trade receivables (Note a)	17	N/A	Low risk	Lifetime ECL — not credit impaired	41,538	27,145
			Watch list	Lifetime ECL — not credit impaired	2,971	28,414
			Loss	Lifetime ECL — credit impaired	144,511	166,196
Bill receivables (Note a)	17	N/A	Low risk	Lifetime ECL — not credit impaired	–	1,719
Deposits and other receivables	18	N/A	(Note b)	12-month ECL	151,820	1,447
			Loss	Lifetime ECL — credit impaired	11,276	10,763
Bank balances	19	BAA-AA	N/A	12-month ECL	14,248	58,159

Notes:

- (a) For trade and bill receivables, the Group has applied the simplified approach in HKFRS 9 to measure the loss allowance at lifetime ECL. The Group determines the ECL on these items by individual assessment.
- (b) For the purposes of internal credit risk management, the Group uses past due information to assess whether credit risk has increased significantly since initial recognition.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

Notes: (Continued)

(c) The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bill receivables	Other financial assets
Low risk	The counterparty has a low risk of default and does not have any past due amounts	Lifetime ECL – not credit-impaired	12-month ECL
Watch list	Debtor frequently repays after due dates but usually settle in full	Lifetime ECL – not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL – not credit-impaired	Lifetime ECL – not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL – credit-impaired	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

(i) Trade and bill receivables arising from contracts with customers

Management adopted a policy on providing credit facilities to customers. A credit investigation, including assessment of financial information, advice from business partners in relation to potential customers and credit search, would be required to be launched. The level of credit granted must not exceed a predetermined level set by the management. Credit evaluation is performed on a regular basis.

In order to minimise the credit risk on trade and bill receivables, the management of the Group has delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the management of the Group reviews the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate provisions for impairment losses are made for irrecoverable amounts on trade and bill receivable. The Group applies simplified approach on trade and bill receivables to provide for ECL prescribed by HKFRS 9. In this regard, the management of the Group considers that the credit risk on trade and bill receivables is significantly reduced.

The Group has concentration of credit risk with exposure limited to certain major customers. Trade and bill receivables from the largest customers and top three customers amounting to approximately HK\$13,847,000 and HK\$27,277,000 (2022: approximately HK\$14,361,000 and HK\$30,470,000), in aggregate, comprised approximately 33% and 64% (2022: approximately 25% and 54%) of the Group's trade and bill receivables as at 31 December 2023. The management closely monitors the subsequent settlement of the customers.

During the year ended 31 December 2023, the Group has provided reversal of impairment losses on trade receivables of approximately HK\$11,417,000 (2022: impairment losses of approximately HK\$59,491,000) based on individual assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

Notes: (Continued)

(c) The Group's internal credit risk grading assessment comprises the following categories: (Continued)

(i) Trade and bill receivables arising from contracts with customers (Continued)

The following table shows the movement in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit- impaired) HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2022	2,456	115,216	117,672
Changes due to financial instruments recognised as at 1 January:			
— Transfer to credit impaired	(1,990)	1,990	–
— Impairment losses reversed	(434)	(15,679)	(16,113)
— Impairment losses recognised	662	74,746	75,408
— Write-offs	(7)	(2,547)	(2,554)
New financial assets originated	196	–	196
Exchange realignment	(68)	(7,530)	(7,598)
As at 31 December 2022 and 1 January 2023	815	166,196	167,011
Changes due to financial instruments recognised as at 1 January:			
— Transfer to credit impaired	(30)	30	–
— Impairment losses reversed	(771)	(14,534)	(15,305)
— Impairment losses recognised	–	1,947	1,947
— Write-offs	–	(5,929)	(5,929)
New financial assets originated	1,941	–	1,941
Exchange realignment	–	(3,199)	(3,199)
As at 31 December 2023	1,955	144,511	146,466

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

Notes: (Continued)

- (c) The Group's internal credit risk grading assessment comprises the following categories: (Continued)
 - (i) Trade and bill receivables arising from contracts with customers (Continued)

During the year ended 31 December 2023, two debtors with a gross carrying amount of approximately HK\$1,992,000 (2022: six debtors with approximately HK\$76,746,000) defaulted and transferred to credit impaired.

In respect of the credit-impaired trade receivables amounted to approximately HK\$144,511,000 as at 31 December 2023 (2022: approximately HK\$166,196,000), the Group has taken follow-up actions to recover the overdue trade receivables. Subsequent to the end of the reporting period, the management took further actions to proactively follow up with these debtors for the settlement of the overdue accounts receivables and negotiated for a revised repayment schedule and/or any collateral or other credit enhancements from these debtors. Despite of continuous follow-up actions, only certain debtors agreed to sign a revised repayment schedule with the Group. However, the Group was not able to obtain any credit enhancements from these debtors and no subsequent settlement from these debtors was noted. In addition, without further information came to the attention of the management about the financial ability of these debtors to settle the overdue trade receivables, management is of the opinion that such overdue trade receivables were credit impaired, the chance of collecting the outstanding balances from these debtors is remote. As a result, the Group recognised full allowance for these credit-impaired trade receivables as at 31 December 2023.

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier.

- (ii) Deposits and other receivables

The Group performs individual impairment assessment under ECL model on other receivables with gross carrying amount of approximately HK\$11,276,000 (2022: approximately HK\$10,763,000), the Group measures the loss allowance at lifetime ECL, in view of the past repayment history, or recent evidences for default payments, the Group has provided reversal of impairment loss of approximately HK\$102,000 (2022: impairment losses of approximately HK\$10,654,000) (lifetime (credit-impaired)) on the related other receivables during the year ended 31 December 2023.

For deposits for purchase of raw materials, the Group uses internal credit rating to perform individual impairment assessment under ECL model with gross carrying amount of approximately HK\$150,647,000 (2022: Nil), the Group measures the loss allowance at 12-month ECL, in view of the probability of default upon initial recognition and loss given default, the Group has provided impairment losses of HK\$29,273,000 (12-month ECL) on the deposits for purchase of raw materials during the year ended 31 December 2023.

During the year ended 31 December 2023, the Group provided impairment losses on deposits for purchase of raw materials and other receivables of approximately HK\$29,171,000 (2022: approximately HK\$10,654,000) based on individual assessment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Credit risk (Continued)

Notes: (Continued)

(c) The Group's internal credit risk grading assessment comprises the following categories: (Continued)

(ii) Deposits and other receivables (Continued)

The following table shows reconciliation of loss allowances that has been recognised for deposits for purchase of raw materials and other receivables.

	12-month ECL HK\$'000	Lifetime ECL (credit- impaired) HK\$'000	Total HK\$'000
As at 1 January 2022	–	–	–
Changes due to financial instruments recognised as at 1 January:			
— Impairment losses recognised	–	7,490	7,490
New financial assets originated	–	3,164	3,164
Exchange realignment	–	109	109
As at 31 December 2022 and 1 January 2023	–	10,763	10,763
Changes due to financial instruments recognised as at 1 January:			
— impairment losses reversed	–	(102)	(102)
— Impairment losses recognised	29,273	–	29,273
Exchange realignment	220	68	288
As at 31 December 2023	29,493	10,729	40,222

For the remaining deposit and other receivables, the Group considers the counterparties with good credit worthiness based on their past repayment history and subsequent settlement. In the opinion of the directors of the Company, the risk of default by these counterparties is not significant and the Group measured loss allowance at 12-month ECL on deposits and other receivables and assessed that the ECL on these balances are insignificant and thus no loss allowance provision was recognised for the both years.

(iii) Bank balances

The credit risk on bank balances are limited because the counterparties are banks with higher credit ratings assigned by international credit rating agencies. No loss allowance provision for bank balances was recognised as the amount is insignificant. The Group has limited exposure to any single financial institution.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

In preparing the consolidated financial statements, the directors of the Company have given careful consideration to the future liquidity of the Group in light of the fact that the Group had bank and cash balances of approximately HK\$14,489,000, while the outstanding bank borrowings of approximately HK\$37,564,000 as at 31 December 2023. Taking into account the ongoing availability of finance to the Group, including the cash flows generated from its principal operations and the existing banking facilities, the directors of the Company are of the opinion that the Group will have sufficient working capital to meet its financial obligations as and when they fall due within the next 12 months from the end of the reporting period.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and mitigate the effects of unexpected fluctuations in cash flows. The management of the Group monitors the utilisation of bank borrowings and ensures compliance with covenants.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating rate, the undiscounted amount is derived based on management's best estimates at the end of the reporting period, taking into consideration interest rate curve, if available.

	Weighted average effective interest rate %	Within 1 year or on demand HK\$'000	1-5 years HK\$'000	Total undiscounted cash flows HK\$'000	Total carrying amount HK\$'000
As at 31 December 2023					
Trade payables	–	15,941	–	15,941	15,941
Accruals and other payables	–	9,120	–	9,120	9,120
Bank borrowings	5	38,020	–	38,020	37,564
		63,081	–	63,081	62,625
As at 31 December 2022					
Trade payables	–	22,177	–	22,177	22,177
Other payables	–	6,666	–	6,666	6,666
Bank borrowings	4.87	56,075	–	56,075	55,800
		84,918	–	84,918	84,643

As at 31 December 2023 and 2022, there are no bank borrowings with a repayment on demand clause.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Fair value

The fair values of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

30. RELATED PARTY TRANSACTIONS

The Group had following transactions and balances with its related parties:

(a) Transactions with related party

	2023 HK\$'000	2022 HK\$'000
Related company[^]		
Futong Group International Limited		
Rental expense related to short-term lease in respect of plant and office premises [#]	9,900	5,400
Payment of lease liabilities [#]	–	9,174
Interest expenses	–	15

[#] The related party transactions are also defined as continuing connected transactions under the Listing Rules.

[^] Controlled by a shareholder of Hangzhou Futong Investments Co., Ltd., the ultimate holding company of the Company.

The rental expense and payment of lease liabilities are all at the terms agreed with the relevant parties.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

30. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Balances with related parties

	2023 HK\$'000	2022 HK\$'000
Fellow subsidiary		
Hangzhou Futong Communication Technology Co., Ltd.		
Trade receivables	10,226	10,526
Trade payables	155	160
Related company		
Futong Group International Limited		
Other payables	4,950	–

(c) Compensation of key management personnel

The remuneration of key management personnel who are the directors during the year is set out in Note 9 to the consolidated financial statements, which is determined with reference to the performance of individual and market trends.

The remuneration of key management personnel during the year was as follows:

	2023 HK\$'000	2022 HK\$'000
Short-term benefits	4,001	4,200
Post-employment benefits	37	36
	4,038	4,236

As at 31 December 2023, included in accruals was an accrued remuneration of approximately HK\$447,000 (2022: approximately HK\$587,000) in relation to key management personnel which is unsecured, interest-free and settled in cash.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

31. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows financing activities.

	Lease liabilities HK\$'000	Bank and other borrowings HK\$'000	Total HK\$'000
As at 1 January 2022	9,174	59,246	68,420
Cash flows	(9,189)	(3,662)	(12,851)
Interest expenses	15	2,357	2,372
Exchange realignment	–	(2,141)	(2,141)
As at 31 December 2022 and 1 January 2023	–	55,800	55,800
Cash flows	–	(20,335)	(20,335)
Interest expenses	–	1,891	1,891
Exchange realignment	–	208	208
As at 31 December 2023	–	37,564	37,564

32. RETIREMENT BENEFIT SCHEMES

The Group participates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all its employees in Hong Kong. The MPF Scheme is registered with the Mandatory Provident Fund Schemes Authority under the Mandatory Provident Fund Schemes Ordinance. The assets of the MPF Scheme are held separately from those of the Group in funds under the control of an independent trustee. Under the MPF Scheme, the employer and its employees are each required to make contributions to the MPF Scheme at rates specified in the rules.

The only obligation of the Group with respect to the MPF Scheme is to make the required contributions. Except for voluntary contribution, no forfeited contribution under the MPF Scheme is available to reduce the contribution payable in future years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

32. RETIREMENT BENEFIT SCHEMES (CONTINUED)

The retirement benefit scheme contributions arising from the MPF Scheme charged to the consolidated statement of profit or loss and other comprehensive income represent contributions paid or payable to the fund by the Group at rates specified in the rules of the scheme.

The Group registers its employees in Thailand with Workmen's Compensation Fund and Social Security Fund as required by laws in Thailand. The Group is required to make annual contributions to the Workmen's Compensation Fund and monthly contributions to the Social Security Fund at certain percentage of payroll costs to fund the benefits. The only obligation of the Group with respect to these funds is to make the required contributions.

As at 31 December 2023, there were no forfeited contributions which arose upon employees leaving the retirement plans and which are available to reduce the contributions payable in the future years (2022: Nil).

The contributions paid and payable to the schemes by the Group are disclosed in Notes 9 and 11 to the consolidated financial statements.

33. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Particulars of the Company's subsidiaries as at 31 December 2023 and 2022 are as follows:

Name of subsidiary	Place of incorporation/ registration	Place of operation	Issued and fully paid share capital	Percentage of equity interests attributable to the Company		Principal activities
				Direct	Indirect	
Transtech	British Virgin Islands ("BVI")	Hong Kong	USD430	100%	–	Manufacturing and sales of optical fibres and other related products
Futong Thailand	Thailand	Thailand	THB807,110,000	99%	1%	Manufacturing and sales of optical fibre cables and optical cable cores
Great Sign Technologies Limited	BVI	Hong Kong	USD1,000	100%	–	Investment holding
Pan South Industries Limited	BVI	Hong Kong	USD1,000	100%	–	Investment holding

None of the subsidiaries had issued any debt securities at the end of both years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of financial position of the Company

	2023 HK\$'000	2022 HK\$'000
Non-current asset		
Investments in subsidiaries	394,018	394,018
Current assets		
Prepayments	26	274
Bank balances	1,945	1,948
	1,971	2,222
Current liabilities		
Accruals and other payables	1,002	1,281
Amounts due to subsidiaries	37,676	33,657
Tax payable	12	12
	38,690	34,950
Net current liabilities	(36,719)	(32,728)
NET ASSETS	357,299	361,290
Capital and reserves		
Share capital	2,600	2,600
Reserves	354,699	358,690
TOTAL EQUITY	357,299	361,290

Approved by the Board of Directors of the Company on 28 March 2024 and are signed on its behalf by:

Mr. He Xingfu
Executive Director

Mr. Ren Guodong
Executive Director

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

34. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (CONTINUED)

Reserve movement of the Company

	Share premium HK\$'000	Other reserve HK\$'000 (Note)	Accumulated losses HK\$'000	Total equity HK\$'000
As at 1 January 2022	95,534	320,522	(53,604)	362,452
Loss and other comprehensive income for the year	–	–	(3,762)	(3,762)
As at 31 December 2022 and 1 January 2023	95,534	320,522	(57,366)	358,690
Loss and other comprehensive income for the year	–	–	(3,991)	(3,991)
As at 31 December 2023	95,534	320,522	(61,357)	354,699

Note: Other reserve represents the contribution made by Futong China to the Company.

35. COMPARATIVE FIGURES

Certain financial figures presented in the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of financial position have been re-classified as the directors consider that the new presentation is more appropriate to the financial statements.