

Transtech Optelecom Science Holdings Limited 高科橋光導科技股份有限公司

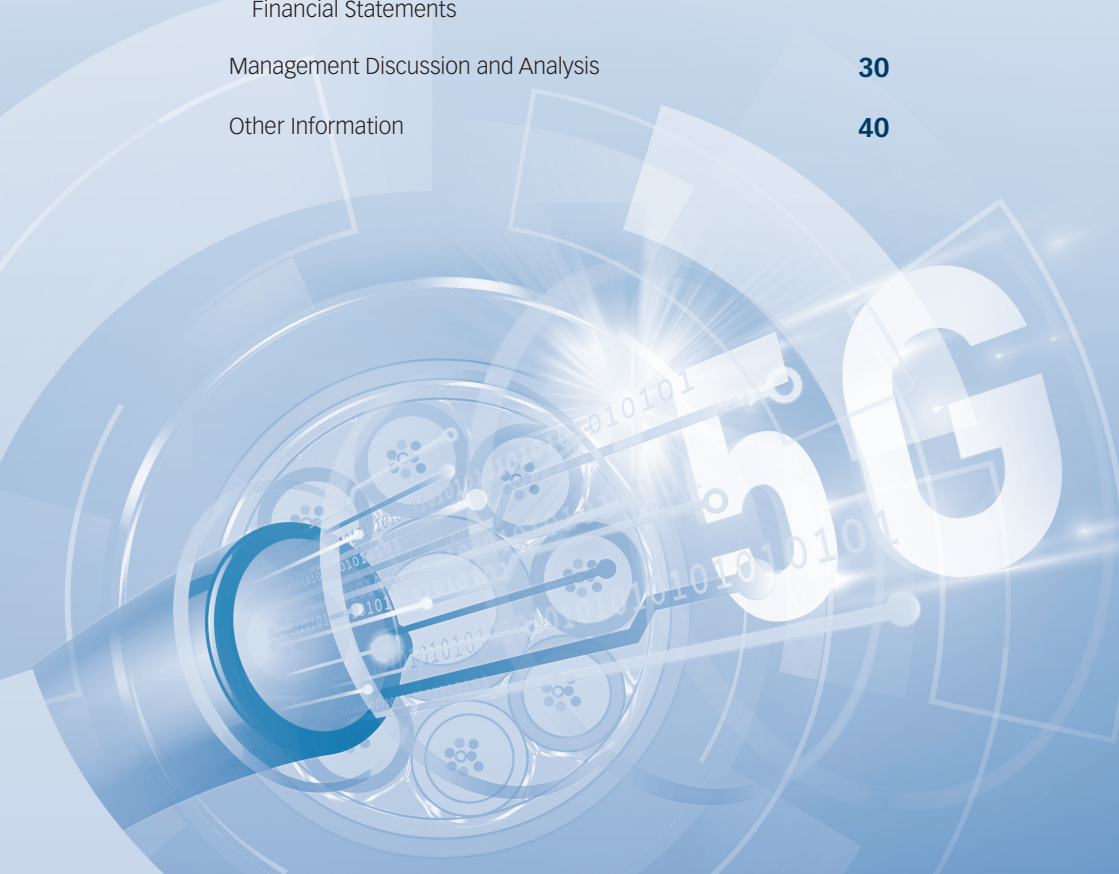
(Incorporated in the Cayman Islands with limited liability)

Stock Code: 9963

Interim Report
2024

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. He Xingfu
(*Chairman & Chief Executive Officer*)
Mr. Ren Guodong
Mr. Xu Jinjie
Mr. Yin Zhou

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. He Xingfu (*Chairman*)
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
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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

FINANCIAL HIGHLIGHTS

Interim results for the six months ended 30 June 2024 compared with the six months ended 30 June 2023.

- The Group recorded a revenue of approximately HK\$72.9 million for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$103.0 million).
- Gross profit margin decreased by approximately 18.6% from 14.8% for the six months ended 30 June 2023 to gross loss margin approximately 3.8% for the six months ended 30 June 2024.
- Loss attributable to the owners of the Company for the six months ended 30 June 2024 amounted to approximately HK\$13.7 million (six months ended 30 June 2023: profit approximately HK\$5.0 million).
- Net profit margin decreased by approximately 23.7% from net profit margin 4.9% for the six months ended 30 June 2023 to net loss margin of approximately 18.8% for the six months ended 30 June 2024.
- Basic loss per share amounted to approximately HK\$5.3 cents for the six months ended 30 June 2024 (six months ended 30 June 2023: profit per share of approximately HK\$1.9 cents).
- The Board does not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

FINANCIAL RESULTS

The board of directors (the “Board”) of Transtech Optelecom Science Holdings Limited (the “Company”) is pleased to announce the unaudited consolidated financial results of the Company and its subsidiaries (collectively referred to as the “Group”) for the six months ended 30 June 2024 together with the comparative unaudited figures for the corresponding period in 2023 as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Revenue	3	72,852	102,956
Cost of sales		(75,610)	(87,693)
Gross (loss)/profit		(2,758)	15,263
Other income	4	216	989
Other gains and losses	4	(1,862)	(8,656)
Reversal of impairment losses on trade receivables		2,233	11,755
Selling and distribution expenses		(1,892)	(1,890)
Administrative expenses		(9,295)	(10,465)
Finance costs	5	(810)	(983)
(Loss)/profit before taxation	6	(14,168)	6,013
Income tax credit/(expense)	7	488	(1,006)
(Loss)/profit for the period		(13,680)	5,007
Other comprehensive expense			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translating foreign operations		(17,528)	(8,173)
Total comprehensive expense for the period		(31,208)	(3,166)
(Loss)/earnings per share			
Basic (HK cents)	9	(5.3)	1.9

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2024

	Notes	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	212,884	231,169
Deposits for acquisition of property, plant and equipment	11	9,643	10,301
Deposits and prepayments	11	6,145	6,504
Deferred tax assets	18	17,003	17,388
		245,675	265,362
Current assets			
Inventories	12	49,288	57,495
Trade receivables	13	37,296	42,554
Deposits, prepayments and other receivables	11	135,038	135,776
Tax receivables		–	1,430
Bank balances and cash		7,593	14,489
		229,215	251,744
Current liabilities			
Trade payables	14	19,837	15,941
Other payables and accrued charges	15	4,360	11,037
Contract liabilities	16	649	542
Tax payable		71	1,104
Bank and other borrowings	17	30,303	37,564
		55,220	66,188
Net current assets		173,995	185,556
Total assets less current liabilities		419,670	450,918
Non-current liabilities			
Provision for long service payments	19	516	556
Net assets		419,154	450,362
Capital and reserves			
Issued share capital	20	2,600	2,600
Reserves		416,554	447,762
Total Equity		419,154	450,362

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2024

	Share capital HK\$'000	Share premium HK\$'000	Other reserve HK\$'000	Foreign exchange reserve HK\$'000	Accumulated profits HK\$'000	Equity attributable to the owners of the Company HK\$'000
At 1 January 2023 (Audited)	2,600	95,534	289,031	(21,916)	147,668	512,917
Profit for the period	-	-	-	-	5,007	5,007
Other comprehensive expense	-	-	-	(7,749)	-	(7,749)
Total comprehensive expense for the period	-	-	-	(7,749)	5,007	(2,742)
At 30 June 2023 (Unaudited)	2,600	95,534	289,031	(29,665)	152,675	510,175
At 1 January 2024 (Audited)	2,600	95,534	289,031	(20,249)	83,446	450,362
Loss for the period	-	-	-	-	(13,680)	(13,680)
Other comprehensive expense	-	-	-	(17,528)	-	(17,528)
Total comprehensive expense for the period	-	-	-	(17,528)	(13,680)	(31,208)
At 30 June 2024 (Unaudited)	2,600	95,534	289,031	(37,777)	69,766	419,154

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 subsidiary (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).

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2024

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Net cash (used in)/generated from operating activities	(1,973)	5,134
Investing activities		
Deposits paid for acquisition of property, plant and equipment	–	107,024
Purchase of property, plant and equipment	(137)	(114,443)
Interest received	15	44
Net cash used in investing activities	(122)	(7,375)
Financing activities		
New bank borrowings raised	30,727	51,332
Repayment of bank borrowings	(35,650)	(69,531)
Interest paid	(810)	(983)
Net cash used in financing activities	(5,733)	(19,182)
Net decrease in cash and cash equivalents	(7,828)	(21,423)
Cash and cash equivalents at the beginning of period	14,489	58,160
Effect of foreign exchange rate changes	932	(521)
Cash and cash equivalents at the end of period representing by bank balances and cash	7,593	36,216

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

1. GENERAL AND BASIS OF PREPARATION

The Company was incorporated as an exempted company in the Cayman Islands with limited liability on 6 September 2016. The Company's shares were listed on 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. Its immediate holding company is Hong Kong Futong Optical Fiber Company Limited ("Futong HK"), a private company incorporated in Hong Kong, and the ultimate holding company is Hangzhou Futong Investments Co., Ltd., a private company incorporated in the People's Republic of China ("PRC"). The addresses of the registered office and principal place of business of the Company are disclosed in the section headed "Corporate Information" in this report.

The Company is an investment holding company. The Group's principal activity is the manufacturing and sales of optical fibre and optical fibre cable in Hong Kong and Thailand respectively.

The unaudited consolidated financial results of the Group for the six months ended 30 June 2024 (the "Consolidated Financial Results") are presented in Hong Kong dollars ("HK\$"), unless otherwise stated. The Consolidated Financial Results have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules"). The Consolidated Financial Results have been prepared under the historical cost convention.

2. SIGNIFICANT ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared under the historical cost convention. The same accounting policies, presentation and methods of computation have been followed in these condensed consolidated financial statements as were applied in the preparation of the Group's financial statements for the year ended 31 December 2023, except for the adoption of all the new and revised Hong Kong Financial Reporting Standards, amendments and interpretations ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are relevant to its operations and effective for its accounting year beginning on 1 January 2024. The adoption of these new and revised HKFRSs did not result in substantial changes to the Group's accounting policies and amounts reported for the current period and prior years. The Group has not applied the new HKFRSs that have been issued but are not yet effective. The Directors of the Company anticipate that the application of the other new or revised standards, amendments or interpretations will have no material impact on the unaudited consolidated financial statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

The preparation of the Consolidated Financial Results 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 Consolidated Financial Results should be read in conjunction with the Group's audited consolidated financial statements and notes thereto for the year ended 31 December 2023.

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. The condensed consolidated financial statements have not been audited by the Company's independent auditors, but have been reviewed by the audit committee of the Company (the "Audit Committee").

3. REVENUE AND SEGMENT INFORMATION

(i) Disaggregation of revenue from contracts with customers

For the six months ended 30 June 2024

Segments	Optical	Optical	Total
	fibre	fibre	
	HK\$'000	HK\$'000	HK\$'000
Types of goods			
Sales of goods — recognised at a point in time			
Optical fibre cables	–	69,562	69,562
Optical fibres	–	3,290	3,290
Total	–	72,852	72,852

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the six months ended 30 June 2024				
	Optical fibre cables, optical cable cores and other related products HK\$'000	Optical fibres HK\$'000	Total segment revenue HK\$'000	Elimination HK\$'000	Consolidated HK\$'000
Sales of optical fibre cables	69,562	–	69,562	–	69,562
Sales of optical fibre	3,290	9,932	13,222	(9,932)	3,290
Segment revenue	72,852	9,932	82,784	(9,932)	72,852

For the six months ended 30 June 2023

Segments	Optical fibres HK\$'000	Optical fibre cables, optical cable cores and other related products HK\$'000	Total HK\$'000
Types of goods			
Sales of goods — recognised at a point in time			
Optical fibre cables	–	90,678	90,678
Optical fibres	–	12,278	12,278
Total	–	102,956	102,956

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	For the six months ended 30 June 2023				
Optical fibre cables, optical cable cores and other related products	Optical fibres	Total segment revenue	Elimination	Consolidated	
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Sales of optical fibre cables	90,678	–	90,678	–	90,678
Sales of optical fibre	12,278	10,829	23,107	(10,829)	12,278
Segment revenue	102,956	10,829	113,785	(10,829)	102,956

(ii) Performance obligations for contracts with customers

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

For manufacturing and sales of the optical fibre cables, optical fibre, 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").

Following the delivery, the customers have 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. The normal credit term is 14 to 360 days (six months ended 30 June 2023: 0 to 365 days) upon delivery.

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

The Group's operating and reporting segments are (i) Optical fibre cables, optical cable cores and other related products, which is located in Thailand; and (ii) Optical fibres, which is located in Hong Kong.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Segment revenue and results

	Six months ended 30 June 2024				
	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	72,852	-	72,852	-	72,852
Inter-segment sales	-	9,932	9,932	(9,932)	-
Segment revenue	72,852	9,932	82,784	(9,932)	72,852
Segment profit (loss)	2,036	(14,345)	(12,309)	1,605	(10,704)
Interest income					4
Unallocated corporate expenses					(2,658)
Finance costs					(810)
Loss before taxation					(14,168)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

	Six months ended 30 June 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	102,956	–	102,956	–	102,956
Inter-segment sales	–	10,829	10,829	(10,829)	–
Segment revenue	102,956	10,829	113,785	(10,829)	102,956
Segment profit (loss)	18,401	(9,535)	8,866	91	8,957
Interest income					3
Unallocated corporate expenses					(1,964)
Finance costs					(983)
Profit before taxation					6,013

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

Inter-segment sales are charged at prevailing market rates.

Furthermore, 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

4. OTHER INCOME, GAINS AND LOSSES

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Other income:		
Income from sales of scrap products	105	68
Bank interest income	15	44
Others	96	877
	216	989
Other gains and losses:		
Foreign exchange losses, net	(1,862)	(8,656)

5. FINANCE COSTS

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Interest on bank borrowings	810	983

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

6. (LOSS)/PROFIT BEFORE TAXATION

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
(Loss)/profit before taxation has been arrived at after charging:		
Auditor's remuneration	615	908
Depreciation of property, plant and equipment	3,104	4,824
Less: amount capitalised in inventories	(2,676)	(4,255)
	428	569
Directors' remuneration (note 21(b))	1,786	2,063
Other staff costs		
Salaries and other benefits	9,659	10,493
Retirement benefits scheme contributions	269	337
Total staff costs	11,714	12,893
Less: amount capitalised in inventories	(5,458)	(6,850)
	6,256	6,043
Cost of inventories recognised as an expense	75,610	87,694
Allowance for inventories (included in cost of sales)	1,917	–
Expenses relating to short-term lease (included in cost of sales, selling and distribution expenses and administrative expenses)	4,833	5,735
Reversal of impairment loss on trade receivables	(2,233)	(11,755)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

7. INCOME TAX (CREDIT)/EXPENSE

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

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Hong Kong Profits Tax		
Current Tax	–	–
Thailand Corporate Income Tax		
Current Tax	(935)	1,622
Thailand withholding tax	55	54
Deferred Tax (Note 18)	392	(670)
	(488)	1,006

The Hong Kong profits tax 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.

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”.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

8. DIVIDEND

No dividends were paid, declared and proposed by the Company during the current interim period (six months ended 30 June 2023: nil). The directors have determined that no dividend will be paid in respect of the current interim period.

9. (LOSS)/EARNINGS PER SHARE

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
(Loss)/Earnings		
(Loss)/profit attributable to the owners of the Company for the purpose of basic (loss)/earnings per share	(13,680)	5,007
	'000	'000
Number of ordinary shares		
Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share	260,000	260,000

The calculation of basic (loss)/earnings per share for the six months ended 30 June 2024 and 30 June 2023 are based on the (loss)/profit for the period attributable to the equity holders of the Company, and the weighted average number of issued ordinary shares are 260,000,000 in both periods.

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

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2024, the Group acquired at cost, machinery of approximately HK\$Nil (six months ended 30 June 2023: HK\$546,000), furniture and fixtures of approximately HK\$3,000 (six months ended 30 June 2023: approximately HK\$476,000); office equipment of HK\$Nil (six months ended 30 June 2023: Nil); and construction in progress of approximately HK\$1,201,000 (six months ended 30 June 2023: approximately HK\$59,000).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

11. DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Non-current portion

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Prepayments	14,709	15,065
Deposits for acquisition of property, plant and equipment	9,643	10,301
Other deposits	20	22
Less: Loss allowances	(8,584)	(8,583)
	15,788	16,805

Current portion

	30 June 2024 HK\$'000	31 December 2023 HK\$'000
Electricity deposits	785	785
Other deposits	113	113
Deposits for purchase of raw materials	163,567	150,647
Prepayments	9,713	24,646
Other receivables	11,525	11,529
Other tax receivables	2,027	2,125
Less: Loss allowances	(52,692)	(54,069)
	135,038	135,776

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

As at 31 December 2023 and 30 June 2024, included in prepayments of carrying amount approximately HK\$16,941,000 (net of impairment loss of HK\$22,430,000) and HK\$9,392,000 (net of impairment loss of HK\$22,430,000) respectively, represented advances made to a supplier for purchase of raw materials.

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. This agreement is still valid as at 30 June 2024.

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. As at 30 June 2024, the Group has yet exercised its right to any refund due to the continuous weak market demand. These deposits are recorded as a current asset in the consolidated statement of financial position.

12. INVENTORIES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Raw materials and consumables	23,669	25,017
Work in progress	10,874	15,409
Finished goods	16,794	19,534
Goods-in-transit	658	164
	51,995	60,124
Less: Inventory provision	(2,707)	(2,629)
	49,288	57,495

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

13. TRADE RECEIVABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade receivables	177,692	189,020
Less: Loss allowance	(140,396)	(146,466)
	37,296	42,554

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 (2023: 0 to 720 days) from the invoice date. 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.

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.

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0–180 days	24,447	32,328
181–270 days	3,079	–
271–365 days	–	–
Over 365 days	9,770	10,226
	37,296	42,554

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Renminbi ("RMB")	9,983	10,226
Thai Baht ("THB")	20,557	28,184
United States dollars ("USD")	6,756	4,144
	37,296	42,554

14. TRADE PAYABLES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Trade payables	19,837	15,941

The credit period granted to the Group by suppliers normally ranged from 30 to 180 days (2023: 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:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
0–30 days	6,642	7,319
31–60 days	4,906	3,406
61–90 days	3,457	3,130
91–180 days	3,285	1,280
Over 180 days	1,547	806
	19,837	15,941

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
HK\$	1,037	981
RMB	2,960	5,001
THB	8,166	5,444
USD	7,674	4,515
	19,837	15,941

15. OTHER PAYABLES AND ACCRUED CHARGES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Accrued charges	4,335	3,950
Payable for acquisition of property, plant and equipment	–	1,020
Other payables	25	6,067
	4,360	11,037

16. CONTRACT LIABILITIES

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Short-term advances received from customers — Sales of optical fibre cables	649	542

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

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 17%–100% (2023: 6%–38%) deposit depends on the contract terms.

Movements in contract liabilities:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Balance as at 1 January	542	4,123
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	(467)	(4,107)
Increase in contract liabilities as a result of receiving advance payment from customers	600	528
Exchange realignment	(26)	(2)
Balance as at 30 June/31 December	649	542

No billings in advance of performance received that is expected to be recognised as income after more than one year (2023: Nil).

17. BANK AND OTHER BORROWINGS

	30 June 2024		31 December 2023	
	Effective interest rate	HK\$'000	Effective interest rate	HK\$'000
Bank borrowings — unsecured	5.1%	30,303	5%	37,564

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

Analysed into:

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
By nature		
Variable rate bank borrowings	30,303	37,564
By maturity		
Bank borrowings repayable: Within one year or on demand	30,303	37,564

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
RMB	611	915
THB	29,692	36,649
	30,303	37,564

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

18. DEFERRED TAXATION

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

	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
At 1 January 2023 (Audited)	9,900	75	5,805	(2,269)	-	13,511
Credit (Charge) to profit or loss	329	(24)	(126)	346	-	525
At 30 June 2023 (Unaudited)	10,229	51	5,679	(1,923)	-	14,036
At 1 January 2024 (Audited)	5,198	56	8,915	(482)	3,701	17,388
Credit (Charge) to profit or loss	22	(4)	(576)	166	-	392
Exchange realignment	-	-	7	-	-	7
At 30 June 2024 (Unaudited)	5,220	52	8,346	(316)	3,701	17,003

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

	30 June 2024 HK\$'000 (Unaudited)	31 December 2023 HK\$'000 (Audited)
Deferred tax assets	17,003	17,388

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

19. PROVISIONS

	Long service payment HK\$'000
As at 31 December 2023 and 1 January 2024	556
Amount reversed during the period	(5)
Exchange realignment	(35)
As at 30 June 2024	516

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.

20. SHARE CAPITAL

	Number of shares	HK\$'000
Authorised		
At 31 December 2023 and 30 June 2024		
— ordinary shares of HK\$0.01 each	1,000,000,000	10,000
Issued and fully paid		
At 31 December 2023 and 30 June 2024	260,000,000	2,600

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

21. RELATED PARTY TRANSACTIONS

- (a) The Group had the following transactions with the following related parties:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Related Company[^]		
<u>Futong Group International Limited</u>		
Rental expenses related to short-term lease in respect of plant and office premises [#]	4,500	5,400

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

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

- (b) **Compensation of key management personnel**

The remuneration of key management personnel who are the directors is determined with reference to the performance of individual and market trends.

The remuneration of key management personnel during each of the periods of six months ended 30 June 2023 and 30 June 2024 respectively, were as follows:

	Six months ended 30 June	
	2024 HK\$'000 (Unaudited)	2023 HK\$'000 (Unaudited)
Short-term benefits	1,767	2,044
Post-employment benefits	19	19
	1,786	2,063

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2024

22. CONTINGENT LIABILITIES

The Group had no significant contingent liabilities as at 30 June 2024 (unaudited) and 31 December 2023 (audited).

23. APPROVAL OF THE FINANCIAL STATEMENTS

The interim financial statements have been approved and authorised for issue by the Company's board of directors on 12 August 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group has recorded dissatisfied financial results for the six months ended 30 June 2024 (the “Reporting Period”). It recorded a total revenue of approximately HK\$72.9 million representing a decrease of approximately 29.2% as compared with the six months ended 30 June 2023 (the “Last Period”). The Group has realised a gross loss of approximately HK\$2.8 million for the Reporting Period, which represented an increase of loss approximately 118.1% as compared with the one for the Last Period. Loss for the Reporting Period attributable to the owners of the Company was approximately HK\$13.7 million, which represented an increase in loss of approximately 373.2% as compared with the Last Period. The decrease in revenue was mainly attributable to the decreased in sale of optical fibre cables by approximately 23.7% to approximately HK\$69.2 million (the Last Period: approximately HK\$90.7 million). The sale of optical fibre decreased by approximately 70.7% to approximately HK\$3.6 million (the Last Period: approximately HK\$12.3 million).

Review

The Chinese economy recovered slowly with the end of the strict anti-pandemic policy in early 2023 and the normalisation of the economic and social development.

On the other hand, the overproduction of the optical fiber and optical fiber cable has been the main problem in the market. These exceeding stocks formed the main stumbling block to suppress the selling price and it is expected the selling price will only be increased after most of the stocks has been consumed in the second half of the year 2024.

Futong Thailand

As a result of the recovery of COVID-19, the sale in Thailand and other ASEAN countries has been resumed steadily in the Reporting Period but still not reach at the same level in Last Period.

The sales revenue of optical fibre cables in Thailand decreased from approximately HK\$59.9 million during the six months ended 30 June 2023 to approximately HK\$39.9 million during the same period in the year 2024 due to the decrease in sales volume but increase in selling price. It showed the market has been improved progressively. The sales in the other countries decreased from approximately HK\$30.8 million during the six months ended 30 June 2023 to approximately HK\$29.3 million during the same period in the year 2024 mainly because the Company implemented an aggressive marketing policy to increase the sales volume by reducing the average unit selling price by approximately 9.0%.

On the other hand, the gross profit margin of Futong Thailand decreased from approximately 21.9% for the six months ended 30 June 2023 to approximately 9.2% for the six months ended 30 June 2024. It is mainly attributable to the net effect of (i) the decrease in sales volume but increase in selling price of optical fibre cables in Thailand local market; (ii) the decreased demand in the optical fibre cables and optical fibre market; (iii) the decrease of unit cost in optical fibre cables; and (iv) the general increase of sales volume and decrease of unit selling price of optical fibre cable in the ASEAN countries outside Thailand.

MANAGEMENT DISCUSSION AND ANALYSIS

Transtech

Transtech has reported its revenue and net loss in amount of approximately HK\$9.9 million and HK\$14.2 million respectively for the six months ended 30 June 2024 (six months ended 30 June 2023: approximately revenue HK\$10.9 million and net loss HK\$8.9 million respectively), representing decrease of approximately 9.2% and increase of approximately 59.6% respectively. It is attributed by the over supply of optical fibres and the demand for optical fibres was still weak. The market of optical fibres was generally not yet improved during the reporting period.

The production of Transtech in Hong Kong has been stopped in the first six months ending 30 June 2024 due to the weak market demand and the low selling price of optical fibre. The Transtech management has taken action to reduce a lot of the overhead expenses to minimize the loss.

PROSPECTUS

The year 2024 marks the fifth year of the issuance of licenses for the commercialisation of 5G. 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.

The Global System for Mobile Communications Association (“GSMA”) expects China, the world’s largest 5G market, to become the world’s first market with 1 billion 5G connections by 2025. By 2030, 5G connections in China will reach 1.6 billion.

Our Group is expected to benefit from such 5G development. The 5G network construction is gradually moving from outdoors to indoors. In terms of strengthening the 5G indoor coverage. Market selling price of optical fibre and optical fibre cables will start to rise after the supply quantity resumes to normal level. The Group is actively following up the relevant projects in time to keep up with the development.

The new production line has entered the last stage of installation in Futong Thailand but the commencement date of production has yet been fixed because the market status is still not clear at the date of this report. By the way, it is quite sure that we cannot resume the production in Transtech in the second half of FY2024 unless the market status improved drastically.

The Group will strive to improve its competitiveness and to win the trust of customers with quality. It is expected that the Group will maintain the relevant policies in the 5G era, while expanding sales channels of the Group and seeking growth opportunities for business development.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, total revenue of the Group was approximately HK\$72.9 million representing a decrease of approximately 29.2% as compared with the corresponding period in 2023.

The decreased is mainly attributable to the decrease in sales volume but increase in selling prices of optical fibre cable. On the other hand, the selling price of optical fibre decreased as compared with the corresponding period in 2023, which partially offset the effect of the increase of sales volume and selling prices of optical fibre cable.

Cost of sales and gross profit

The key components of the Group's cost of sales comprised principally the (i) raw materials used for production of optical fibres, optical fibre cables, optical cable cores and other related products, (ii) direct and indirect labour costs, (iii) manufacturing overheads such as depreciation for plant and equipment 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 six months ended 30 June 2024, the cost of sales of the Group decreased by about 13.8% to approximately HK\$75.6 million as compared with the corresponding period in 2023. Such decrease for the six months ended 30 June 2024 was mainly attributable to the decreased production volume and increase of the unit cost of optical fibre cable during the six months ended 30 June 2024.

The gross loss of the Group increased from profit approximately HK\$15.3 million, for the six months ended 30 June 2023 to loss approximately HK\$2.8 million for the six months ended 30 June 2024. The gross profit margin decreased from approximately 14.8% for the six months ended 30 June 2023 to loss approximately 3.8% for the six months ended 30 June 2024. This is mainly attributable to the decrease of the gross profit margin of optical fibres for the six months ended 30 June 2024 by approximately 26.3% as compared to the corresponding period in 2023. Nevertheless, the gross profit margin of optical fibre cables decreased by approximately 11.6% for the six month ended 30 June 2024.

Loss allowance for trade receivables

Loss allowance for trade receivables represented expected credit losses on trade receivables, which decreased by approximately HK\$21.7 million, or approximately 13.4% from a loss allowance of approximately HK\$162.1 million for the first half of 2023 to a loss allowance of approximately HK\$140.4 million for the first half of 2024.

MANAGEMENT DISCUSSION AND ANALYSIS

Other Income, Gain and Losses

The Group recognised foreign exchange losses of approximately HK\$1.9 million for the six months ended 30 June 2024 as compared with approximately HK\$8.7 million exchange loss for the six months ended 30 June 2023, 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 period.

Selling and distribution expenses

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

The Group’s selling and distribution expenses remain unchanged as approximately HK\$1.9 million for the six months ended 30 June 2023 and 30 June 2024.

The unchanged in the selling and distribution expenses for the six months ended 30 June 2024 was mainly due to the net effect of decrease in staff cost expenses and increase in sales commission expenses.

Administrative expenses

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

The Group’s administrative expenses decreased from approximately HK\$10.5 million for the six months ended 30 June 2023 to approximately HK\$9.3 million for the six months ended 30 June 2024, representing a decrease of approximately 11.4%.

The decrease in the administrative expenses for the six months ended 30 June 2024 was mainly attributable to the net effect of (i) the increase in staff cost; (ii) the decrease in audit fee and legal and professional expenses; and (iii) the decrease in other expenses.

MANAGEMENT DISCUSSION AND ANALYSIS

Finance costs

Finance costs represent the interest expense on bank borrowings. The finance costs of the Group decreased from approximately HK\$1.0 million for the six months ended 30 June 2023 to approximately HK\$0.8 million for the six months ended 30 June 2024 mainly due to the decrease of bank borrowings for the six months ended 30 June 2024.

Taxation

The Hong Kong profits tax 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.

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”.

Income tax credit increased by approximately 150% from a tax expense of approximately HK\$1.0 million for the six months ended 30 June 2023 to a tax credit of approximately HK\$0.5 million for the six months ended 30 June 2024. Such increase was mainly caused by the increase of Futong Thailand tax credit recorded during the Reporting Period.

Loss for the period

Loss attributable to owners of the Company for the six months ended 30 June 2024 amounted to approximately HK\$13.7 million (six months ended 30 June 2023: profit approximately HK\$5.0 million).

The increase in loss attributable to owners of the Company for the six months ended 30 June 2024 was mainly attributable to the net effects of (i) the decrease of foreign exchange losses; (ii) the decrease of gross profit; (iii) the decrease of finance costs, (iv) the decrease of reversal of loss allowance for trade receivables under expected credit loss model as compared with the corresponding period in 2023; and (v) the increase in allowance for inventories.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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\$7.6 million as at 30 June 2024 (31 December 2023: approximately HK\$14.5 million). As at 30 June 2024, the Group had total bank and other borrowings of approximately HK\$30.3 million (31 December 2023: approximately HK\$37.6 million). In the details of the bank and other borrowings can be referenced to note 17 of the unaudited condensed consolidated financial statements.

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 8.3% as at 31 December 2023 to approximately 7.2% as at 30 June 2024. Such decrease was the net effect resulted from the repayment of bank borrowings and total equity reduced mainly due to the loss for the period.

CAPITAL STRUCTURE

As at 30 June 2024, 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 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.

CONTINGENT LIABILITIES AND LITIGATION

As at 30 June 2024, the Group had no material contingent liabilities and litigation (31 December 2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is dedicated to reducing 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. For details, please refer to the Environmental, Social and Governance Report in the 2023 Annual Report issued by the Company dated 28 March 2024 (the “ESG Report”).

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group strives 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 to the ESG Report.

CHARGE OF ASSETS

As at 30 June 2024, the Group had not pledged its land, buildings and machinery to secure the banking facilities granted to the Group (31 December 2023: nil).

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, Transtech might also suffer exchange loss if RMB depreciates against HK\$ because some of the sales revenue are fixed in the currency of RMB. However, our Group has established a foreign currency risk management policy to monitor and manage foreign currency risks.

INTEREST RATE RISK

The Group’s fair value interest rate risk relates primarily to its fixed rate bank deposits, lease liabilities and bank borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on variable interest bearing financial assets, mainly restricted bank balances and bank balances which carried at prevailing market interest rates. 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.

MANAGEMENT DISCUSSION AND ANALYSIS

CREDIT RISK

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 other receivables. In order to minimise the credit risk, the senior management are responsible for determination of credit limits and monitoring procedures to ensure that follow-up action is taken to recover overdue debtors. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Besides, the management of the Group performs impairment assessment on individual debtor basis to estimate the amount of expected credit loss of trade and other receivables based on internal credit ratings, ageing, collateral, repayment history and/or past due status of respective other receivables and adjusted for forward-looking information. For bank deposits and balances, the management of the Group assessed that the Group's bank deposits and bank balances are at low credit risk because they are placed with reputable banks with higher internal credit ratings with reference to international credit-rating agencies, and expected credit loss ("ECL") is insignificant. The Directors have the opinion that the Group have taken appropriate action to manage the credit risk.

LIQUIDITY RISK

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

CAPITAL COMMITMENTS

As at 30 June 2024 and 31 December 2023, the Group has no capital commitments.

SIGNIFICANT INVESTMENT HELD

The Group did not hold any significant investment in equity interest in any other company during the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

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 up to 30 June 2024. 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 30 June 2024 (HK\$million)	Unused amount as at 30 June 2024 (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	Fully utilized for new factory construction and machine installation.
Approximately 5% of the net proceeds will be used for strengthening the research and development capabilities and expanding the range of products.	4.6	0.4	4.2	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 the reporting date, there are little change of customers' demand for new type of products. It is expected to utilize this proceeds before the end of FY2024 when new equipment are installed for the new Thailand factory.
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	4.6	0	Fully utilized for the business development in the ASEAN countries.
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	87.6	4.2	

As at 30 June 2024, 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, HK\$4.6 million for developing customers relationship, HK\$0.4 million for research and development and HK\$73.4 million for the new factory construction in Thailand.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEE AND EMOLUMENT POLICIES

As at 30 June 2024, the employee headcount (including Directors) of the Group was 173 (31 December 2023: 174) and the total staff costs, including directors' emoluments, amounted to approximately HK\$11.7 million during the six months ended 30 June 2024 (six months ended 30 June 2023: approximately HK\$12.9 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.

OTHER INFORMATION

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

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.

MATERIAL ACQUISITION AND DISPOSALS OF SUBSIDIARIES OR ASSOCIATED COMPANIES

The Group had no material acquisition or disposal of subsidiaries or associated companies during the six months ended 30 June 2024. In addition, the Group had no significant investments held during the six months ended 30 June 2024.

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 six months ended 30 June 2024 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”).

OTHER INFORMATION

(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 six months ended 30 June 2024 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.

OTHER INFORMATION

- (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 six months ended 30 June 2024 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 six months ended 30 June 2024.

DIVIDENDS

The Board did not recommend a payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

SHARE OPTION SCHEME

The Company has no share option scheme.

DIRECTORS' RIGHTS TO ACQUIRE SHARES

Save as disclosed above, at no time during the six months ended 30 June 2024 were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under 18 years of age, or were any such rights exercised by them, or was the Company, its holding company, or any of its subsidiaries and fellow subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

PUBLIC FLOAT

According to the information disclosed publicly and as far as the Directors are aware, during the six months ended 30 June 2024 and up to the date of this report, at least 25% of the issued shares of the Company are held by public Shareholders and the Company has maintained the prescribed public float required by the Listing Rules.

OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's 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 for the six months ended 30 June 2024 and up to the date of this report.

COMPETING INTERESTS

As at 30 June 2024, 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.

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 unaudited condensed consolidated interim results for the six months ended 30 June 2024 have been reviewed by the Audit Committee pursuant to the relevant provisions contained in the Corporate Governance Code (the "CG Code") as set out in Appendix 14 to the Listing Rules 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.

OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Company has adopted the CG Code as its own code of corporate governance practices. The Company has complied with the code provisions as set out in the CG Code during the six months ended 30 June 2024. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code. The Company is committed to maintaining a high standard of corporate governance and believes that a good corporate governance can (i) enhance management effectiveness and efficiency; (ii) increase the transparency of the Company; (iii) enhance risk management and internal control of the Company; and (iv) safeguard the interests of the shareholders of the Company and the Company as a whole.

EVENTS AFTER THE REPORTING PERIOD

References is made to the announcements dated 4 July 2024, Transtech and Futong Group International Limited renewed the premises licence agreement for a term of one year commencing on 1 July 2024, this event constituted continuing connected transaction for the Group.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 30 June 2024 and up to the approval date of this report.

COMPLIANCE WITH LAWS AND REGULATIONS

During the six months ended 30 June 2024, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

PUBLICATION OF THE INTERIM REPORT

This interim report is published on the websites of Hong Kong Exchanges and Clearing Limited (www.hkexnews.com.hk) and the Company (www.transtechoptel.com).

By Order of the Board

Transtech Optelecom Science Holdings Limited

He Xingfu

Chairman

Hong Kong, 12 August 2024

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