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TRANSTECH OPTELECOM SCIENCE HOLDINGS LIMITED

高科橋光導科技股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 9963)

CONTINUING CONNECTED TRANSACTIONS

THE LATEST OPTICAL FIBRE FRAMEWORK SALES AGREEMENT

THE LATEST OPTICAL FIBRE FRAMEWORK SALES AGREEMENT

FY2021 Agreement is the Latest Optical Fibre Framework Sales Agreement. References are made to the Prospectus and the announcement dated 30 March 2020 in relation to, among other things, the continuing connected transactions under the FY2017 Agreement, FY2019 Agreement and FY2020 Agreement respectively.

Since the FY2020 Agreement expired on 31 December 2020, in order to continue the transactions under the FY2020 Agreement, the Board announces that Transtech and Hangzhou Futong entered into the FY2021 Agreement on 22 January 2021, pursuant to which Transtech has agreed to sell, and Hangzhou Futong (for itself and on behalf of its subsidiaries) has agreed to purchase, optical fibres within the FY2021 Annual Cap, subject to the terms of the FY2021 Agreement.

LISTING RULES IMPLICATIONS

Hangzhou Futong is a subsidiary of Futong China, which is one of the controlling shareholders of the Company. As Hangzhou Futong is owned as to more than 30% by Futong China, Hangzhou Futong is an associate of Futong China, hence, Hangzhou Futong is a connected person of the Company. Accordingly, the transactions contemplated under the FY2021 Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratios in respect of the FY2021 Annual Cap for purpose of the FY2021 Agreement is more than 0.1% and less than 5%, the transactions contemplated thereunder shall constitute partially-exempt continuing connected transactions under Rule 14A.74(2) of the Listing Rules and are subject to the annual review and disclosure requirements but are exempt from circular and Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

References are made to the Prospectus and the announcement dated 30 March 2020 in relation to, among others things, the FY2017 Agreement, FY2019 Agreement and FY2020 Agreement respectively.

The Board announces that Transtech and Hangzhou Futong entered into the FY2021 Agreement on 22 January 2021, pursuant to which Transtech has agreed to sell, and Hangzhou Futong (for itself and on behalf of its subsidiaries) has agreed to purchase, optical fibres within the FY2021 Annual Cap, subject to the terms of the FY2021 Agreement.

FY2021 AGREEMENT

Principal terms of the FY2021 Agreement are set out below:

Date: 22 January 2021

Parties: (i) Transtech (as vendor), a wholly-owned subsidiary of the Company; and
(ii) Hangzhou Futong (for itself and on behalf of its subsidiaries) (as purchaser).

Hangzhou Futong is a company established in the PRC and a subsidiary of Futong China. Futong China is a controlling shareholder of the Company, and hence, Hangzhou Futong is a connected person of the Company.

Period: Commencing on 22 January 2021 to 31 December 2021

Subject matter: Sales of optical fibres

Pricing basis: The selling price of optical fibres will be set out in separate purchase order in respect of each transaction under the FY2021 Agreement. The selling price of optical fibre for each purchase order shall be determined with reference to, including but not limited to:

(a) the costs of optical fibres (including costs of raw materials, labour costs and production equipment depreciation) as calculated by the Group's accounts department;

(b) the prevailing market price of optical fibre of comparable

quality, specifications and quantities and applicable foreign exchange rates (the “**Prevailing Market Terms**”) based on market information collected by the Group’s sales and technical departments from time to time; and

- (c) where applicable, the terms agreed with the Group’s Independent Third Party customers for products of comparable quality, specifications and quantities and applicable foreign exchange rates in recent transactions (the “**Independent Product Pricing Terms**”).

Whenever the Group intends to sell optical fibres pursuant to the FY2021 Agreement, in order to determine if the prices offered to the Hangzhou Futong in respect of the optical fibres are in accordance with the above pricing policy and are comparable to or not less favourable than price offered to Independent Third Party customers, based on the above, Transtech will price the optical fibre with its costs as a benchmark, upon which Transtech will determine the final prices for sale to Hangzhou Futong for the respective purchase orders under the FY2021 Agreement by comparing against the Prevailing Market Terms or Independent Product Pricing Terms by considering two comparable transactions with independent customers, depending on the availability of such information at the relevant time, and report to the senior management accordingly (*Note 1*).

Further, if there are no comparable quotations and transactions for the proposed sales, the Group will seek to obtain the market information through various channels (such as industry-related websites, other public domains or independent third-party industry consultant), where applicable (*Note 2*).

The price and the terms of the purchase order shall be agreed after arm’s length negotiation between Transtech and Hangzhou Futong based on normal commercial terms, and in any event shall be no less favourable to Transtech than that offered to Independent Third Parties.

Payment term: On the basis of the credit terms Transtech normally offers to other customers, Hangzhou Futong is required to pay 100% within 180 days of the total invoice amount after delivery of goods.

Notes:

1. *As part of the internal requirement, the relevant sales personnel and/or the director-in-charge of Transtech will review the purchase order from Hangzhou Futong (or its relevant subsidiary) and compare it against two comparable transactions with independent customers of the Group. The*

historical price of comparable transactions will be taken into account. As such, the terms offered by Transtech under the FY2021 Agreement to Hangzhou Futong (or its relevant subsidiary) will be comparable or no less favourable to the issuer than those offered to independent customers.

- 2. For this purpose, the Company will also consider information available from the industry-related websites, where applicable, such as the prevailing optical fibre or raw material price indices as quoted from time to time on relevant industry websites, such as the CRU Group (www.crugroup.com) for USD prices of optical fibres, where applicable.*

Proposed new annual cap

The annual caps in respect of the transactions contemplated under the FY2017 Agreement for each of the years ended 31 December 2017 and 31 December 2018 was, as disclosed in the Prospectus, HK\$40.0 million and HK\$38.0 million, respectively. Meanwhile, the annual caps revealed in the announcement dated 18 March 2019 and 30 March 2020 are HK\$18.0 million and HK\$12.5 million respectively.

The historical transaction amount in respect of the transactions contemplated under the FY2017 Agreement, FY2019 Agreement and FY2020 Agreement for each of the years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 were approximately HK\$36.6 million, HK\$37.4 million, HK\$17.9 million and HK\$11.2 million, respectively.

As far as the Directors are aware, the annual caps in respect of the transactions contemplated under the FY2017 Agreement, FY2019 Agreement and FY2020 Agreement for each of the years ended 31 December 2017, 31 December 2018 and 31 December 2019 and 31 December 2020 have not been exceeded.

The FY2021 Annual Cap in respect of the transactions contemplated under the FY2021 Agreement is HK\$18 million, which have been determined taking into account the following major factors and assumptions:

- (1) the historical sales amount under the FY2017 Agreement, FY2019 Agreement and FY2020 Agreement during each of the years ended 31 December 2017, 31 December 2018, 31 December 2019 and 31 December 2020 respectively;
- (2) the production capacity of Transtech;
- (3) the demand of Futong Thailand for optical fibre based on the status of expansion and the latest expansion plan;
- (4) the business growth of the Group, taking into account estimated future demand of its customers based on the outlook of the optical communication industry;

- (5) the pricing basis as set out above; and
- (6) the expected increase in the Group's costs taking into account various factors, including inflation, labour costs and raw material costs.

REASONS AND BENEFITS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in manufacturing and sales of optical fibre cables with various standard specifications that are widely used in the telecommunications industry. In addition, the Group, through Transtech, manufactures optical fibres for the Group's production of optical fibre cables by Futong China, as well as for sale to third parties.

The Group's internal consumption of optical fibres by Futong Thailand remained slow as the Group's sales of optical fibre cables and optical cable cores decreased in each year from FY2017 to FY2020, given that some of the Group's customers requested to delay the delivery of optical fibre cables as certain infrastructure projects were postponed due to COVID-19 and the general weak market in telecommunication industry in 2020. While the Group had started to utilise part of the net proceeds from the Company's initial public offering in July 2017 for the expansion plan of construction of a new factory in Thailand in 2018, the expansion is still in process in 2020 and the production capacity of Futong Thailand has yet to be increased. As such, the Group has yet to fully consume the optical fibres produced by Transtech.

The Directors consider the sales of optical fibres to Hangzhou Futong will enable the Group to benefit from such market opportunities and are in line with the Group's business strategy in the following manner:

- Futong China Group has long-standing relationships with major end customers, where Transtech's sales of optical fibre in the PRC were historically conducted through Futong China Group;
- Futong China Group has downstream operations in the PRC to further process the optical fibre from Transtech for onward sales in the PRC; and
- PRC has a huge market for optical fibre, the Group will be able to capture optical fibre demand from the PRC market.

The outbreak of COVID-19 happened in the end of the year 2019 but became worse in the year 2020. Although it brought a negative impact to the PRC economy, the PRC government took effective action to keep it under control. The Directors believe Futong China Group will maintain its performance in FY2021 because of its good financial background and experienced management staff.

The Directors (including the independent non-executive Directors) consider that the terms of the FY2021 Agreement are on normal commercial terms or better and in the ordinary and usual course of business of the Group, the terms of the FY2021 Agreement (including the expected FY2021 Annual Cap for the transactions contemplated thereunder) were reached after arm's length negotiation between Transtech and Hangzhou Futong, which are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As at the date of this announcement, Mr. Hu Guoqiang, the executive Director and chairman of the Board, is a director and standing president of Futong China. As such, Mr. Hu abstained from voting on the relevant board resolutions approving the FY2021 Agreement and the transactions contemplated thereunder.

Save as disclosed above, none of the Directors has a material interest in the FY2021 Agreement and none of them is required to abstain from voting in respect of the relevant board resolutions.

GENERAL

The Group is principally engaged in manufacturing and sales of optical fibre cables with various standard specifications that are widely used in the telecommunications industry. The Group also designs and manufactures specialty optical fibre cables pursuant to requests from the customers, including rodent resistant optical fibre cable, flame-retardant optical fibre cable and non-metallic optical fibre cable. Transtech is a wholly-owned subsidiary of the Group principally engaged in the manufacturing and sales of optical fibres, and its production facilities are located in Hong Kong.

According to Hangzhou Fuong, it was established in the PRC and it is principally engaged in manufacturing and sales of optical fiber preform, optical fiber, optical cable and other optical communication products. It also provides services in respect of technology, aftersales and other related issues.

LISTING RULES IMPLICATION

Hangzhou Futong is a subsidiary of Futong China, which is one of the controlling shareholders of the Company. As Hangzhou Futong is owned as to more than 30% by Futong China, Hangzhou Futong is an associate of Futong China, hence a connected person of the Company under Rule 14A.07(4) of the Listing Rules. Accordingly, the transactions as contemplated under the FY2021 Agreement thus constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Given that the highest applicable percentage ratios in respect of the FY2021 Annual Cap for purpose of the FY2021 Agreement is more than 0.1% and less than 5%, the transactions contemplated thereunder shall constitute partially-exempt continuing connected transactions under Rule 14A.74(2) of the Listing Rules and are subject to the

annual review and disclosure requirements but are exempt from circular and Shareholders' approval requirement under Chapter 14A of the Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“BVI”	British Virgin Islands
“Company”	Transtech Optelecom Science Holdings Limited (高 科橋光導科技股份有限公司), an exempted company with limited liability incorporated in the Cayman Islands and its shares were listed on the Main Board of the Stock Exchange (stock code: 9963)
“Director(s)”	the director(s) of the Company
“Futong China”	Futong Group Co., Ltd. (富通集團有限公司), a company incorporated in the PRC and one of the Company's Controlling Shareholders
“Futong China Group”	Futong China and its subsidiaries from time to time but excluding the Group
“Futong Thailand”	Futong Group Communication Technology (Thailand) Company Limited, a company incorporated in Thailand and a subsidiary of the Company
“FY2017 Agreement”	the optical fibre framework sales agreement entered into between Transtech and Futong China on 16 June 2017
“FY2019 Agreement”	the optical fibre framework sales agreement entered into between Transtech and Hangzhou Futong on 18 March 2019
“FY2019 Annual Cap”	the annual cap of HK\$18.0 million for the transactions contemplated under the FY2019 Agreement for the year ending 31 December 2019

“FY2020 Agreement”	the optical fibre framework sales agreement entered into between Transtech and Hangzhou Futong on 30 March 2020
“FY2020 Annual Cap”	the annual cap of HK\$12.5 million for the transactions contemplate under the FY2020 Agreement for the year ending 31 December 2020
“FY2021 Agreement”	the optical fibre framework sales agreement entered into between Transtech and Hangzhou Futong on 22 January 2021
“FY2021 Annual Cap”	the annual cap of HK\$18 million for the transactions contemplate under the FY2021 Agreement for the year ending 31 December 2021
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Group”	the Company and its subsidiaries
“Hangzhou Futong”	Hangzhou Futong Communication Technology Co., Ltd. (杭州富通通信技術股份有限公司), a company established in the PRC and a subsidiary of Futong China
“HK\$”	Hong Kong Dollar, the lawful currency of Hong Kong
“Independent Third Parties”	individuals or a companies who or which are not connected with any Directors, chief executive or substantial shareholders of the Company, its subsidiaries or any of their respective associates
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement, Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan
“Prospectus”	the prospectus of the Company dated 30 June 2017
“Share(s)”	ordinary share(s) with nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)

“Stock Exchange”

The Stock Exchange of Hong Kong Limited

“Transtech”

Transtech Optical Communication Company Limited (高科橋光通信有限公司), a company incorporated in the BVI and a wholly-owned subsidiary of the Company

In this announcement, the terms “connected person”, “controlling shareholder”, “percentage ratios” and “subsidiary” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.

By order of the Board

Transtech Optelecom Science Holdings Limited

Mr. Hu Guoqiang

Chairman

Hong Kong, 22 January 2021

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