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Nanfang Communication Holdings Limited

南方通信控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1617)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO ANNUAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

Reference is made to the 2019 annual report of Nanfang Communication Holdings Limited (the “**Company**”) published on 28 April 2020 (the “**2019 Annual Report**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the 2019 Annual Report.

USE OF PROCEEDS FROM THE LISTING

After deduction of all related listing expenses and commissions, the net proceeds from the Global Offering of the Group (the “**Net Proceeds**”) amounted to approximately HK\$248.4 million. Details of the proposed use of Net Proceeds are disclosed in the section headed “Future Plans and Use of Proceeds” of the prospectus of the Company (the “**Prospectus**”) dated 30 November 2016.

In addition to the information disclosed in the section headed “Management Discussion and Analysis” in the 2019 Annual Report, the Board would like to provide further information pursuant to paragraph 11(8)(b) of Appendix 16 to the Listing Rules in relation to the use of net proceeds as follows:

Intended use of proceeds ^(Note 1)	%	Original plan allocation of net proceeds HK\$'000,000	Actual utilised as at 31 December 2019 HK\$'000,000	Unutilised as at 31 December 2019 HK\$'000,000	Expected timeline for full utilisation of the unutilised proceeds
					^(Note 2)
For constructing the phase II expansion plan of our Jin Tan Factory to expand our production capacity and increase our production efficiency	48.9	121.3	52.7	68.6	In respect of acquisition of land for the phase II of Jin Tan Factory: By 30 June 2021
					In respect of construction of the office and production facilities and installation of production facilities and equipment: By 30 September 2022
For upstream development or acquisition of the optical fibre cable production value chain	28.5	70.8	70.8	–	–
For research and development of diversified new products and services, and setting up a laboratory accredited by China National Accreditation Service for Conformity Assessment	10.1	25.0	25.0	–	–
For repaying parts of the bank loans drawn down from a financial institution	6.1	15.1	15.1	–	–
For additional working capital and other general corporate purpose in order to improve the liquidity and gearing ratio of our Group	6.5	16.2	16.2	–	–
Total	100**	248.4	179.8	68.6	–

** The aggregate of the percentage figures in the table above may not add up to the relevant “Total” percentage figures shown due to rounding of the percentage figures to one decimal place.

Note:

1. Further details were set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.
2. The expected timeline for full utilisation of the unutilised proceeds is made based on the best estimation of the Group taking into account, among others, the prevailing and future market conditions and business developments and need, and therefore is subject to change.

As at 31 December 2019, the unutilised Net Proceeds of approximately HK\$68.6 million has been placed as deposits into licensed bank in Hong Kong and the PRC.

EXPECTED TIMELINE FOR USE OF THE UNUTILISED NET PROCEEDS

The Company confirms that the unutilised Net Proceeds will be expected to be used according to the intentions previously disclosed in the Prospectus. In respect of constructing the phase II expansion plan of our Jin Tan Factory, due to the limited land pool held by the government authority, the construction of phase II of our Jin Tan Factory has been delayed. The Company has been actively discussing with the government authority to explore and acquire suitable land, following which the construction of the office and production facilities can take place. As an interim measure, the Company has utilised part of the proceeds from the Global Offering to first purchase the necessary equipment and temporarily installed it in the current production site for satisfying the Group’s production plan, and the Company plans to relocate the production equipment to the phase II of Jin Tan Factory when the construction is completed.

The Company confirms that, save as supplemented above, all other contents in the 2019 Annual Report are correct and remain unchanged. This announcement is supplemental to the 2019 Annual Report and should be read in conjunction with other contents in the 2019 Annual Report.

For and on behalf of the Board
Nanfang Communication Holdings Limited
Yu Jinlai
Chairman

Hong Kong, 11 August 2020

As at the date of this announcement, the executive Directors are Mr. Shi Ming (chief executive officer), Ms. Yu Rumin and Ms. Yu Ruting; the non-executive Director is Mr. Yu Jinlai (chairman); and the independent non-executive Directors are Mr. Wu Wing Kuen, Mr. Lam Chi Keung and Mr. Chan Kai Wing.