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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)

**DISCLOSEABLE TRANSACTION
ACQUISITION OF THE TARGET COMPANY AND ASSIGNMENT
OF SHAREHOLDER'S LOAN**

THE ACQUISITION

The Board is pleased to announce that, on 26 June 2019 (after trading hours), the Company, as purchaser, and Gold Image, as vendor, entered into the SP Agreement, pursuant to which the Vendor has conditionally agreed to sell the Sale Share, representing the entire issued share capital of the Target Company and to assign the Shareholder's Loan to the Purchaser, and the Purchaser has conditionally agreed to acquire the Sale Share and to accept the assignment of the Shareholder's Loan at the consideration of US\$14,715,001.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed(s) 5% but is/are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment and/or waiver of the conditions precedent set out in the SP Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

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Principal terms of the SP Agreement are summarised as follows:–

Date : 26 June 2019

Parties : (1) The Company (as Purchaser); and
(2) Gold Image (as Vendor).

To the best knowledge, information and belief of the Directors, after having made all reasonable enquiries, save for the relationship as described under paragraph "Information of the Vendor" below, the Vendor and its ultimate beneficial owner are Independent Third Parties.

Subject Matter : (1) The Sale Share, representing the entire issued share capital of the Target Company; and
(2) The Shareholder's Loan, representing the outstanding amount owed by the Target Company to the Vendor in the principal amount of US\$14,715,000 as at the date of the SP Agreement.

Consideration : The Consideration of US\$14,715,001 comprises the following which shall be paid on Completion:
(a) US\$1.00 being the consideration for the sale and purchase of the Sale Share; and
(b) US\$14,715,000 being the consideration for the assignment of the Shareholder's Loan.

The Consideration was determined after arm's length negotiations between the Vendor and the Purchaser with reference to the unaudited management accounts of the Target Company as of 31 May 2019 and the outstanding amount of the Shareholder's Loan as at the date of the SP Agreement.

The Consideration will be funded by internal resources of the Group.

- Conditions precedent : Completion shall be subject to the following conditions precedent:
- (a) the Vendor delivering a confirmation to the Purchaser confirming that other than the PSD Loan and the Shareholder's Loan, the Company does not have any other outstanding loan or indebtedness; and
 - (b) the Purchaser having complied with all necessary requirements under the Listing Rules in relation to the purchase of the Sale Share and the assignment of the Shareholder's Loan and other transactions contemplated herein (if required).

- Completion : Completion shall take place within 5 Business Days after the fulfillment (or waiver, as the case maybe) of all the conditions precedent, or such other date as may be agreed in writing among the parties to the SP Agreement.

INFORMATION OF THE TARGET COMPANY ITS BUSINESS ACTIVITIES

Target Company

The Target Company is a company incorporated in the British Virgin Islands with limited liability which is principally engaged in investment holdings. As at the date of this announcement, its investment includes the holding of certain preferred shares in a company which group is a global provider of advanced technology solutions for communications and data connectivity, and its products cover the data communication and telecommunication. The group has established operations in sites in the PRC and Taiwan and has over 2,000 employees as at the date of this announcement.

On 27 December 2018, a loan agreement was entered into between the Company and the Target Company, pursuant to which, the Purchaser advanced the PSD Loan to the Target Company, with a deed creating a first fixed charge over the share of the Target Company in favour of the Company as security for the PSD Loan.

Upon Completion, the Target Company will become a wholly-owned subsidiary of the Company and the share charge will be released.

Financial information of the Target Company

As at 31 May 2019, the unaudited net liabilities of the Target Company were approximately US\$2,955,000.

Certain unaudited financial information of the Target Company for each of the years ended 31 December 2017 and 2018 are set out below:

	For the year ended 31 December	
	2017	2018
	<i>(US\$)</i>	<i>(US\$)</i>
Revenue	0	0
Loss for the year	5,000	150,000

INFORMATION OF THE VENDOR

Gold Image Limited is a company incorporated in the BVI with limited liability which principally engaged in investment holding.

INFORMATION OF THE GROUP

The Group is a well-established optical fibre cable products supplier. The Group derives revenue principally from manufacturing and sales of a wide range of optical fibre cable products.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The Company looks at and considers potential investment opportunities from time to time. In view of the business development and prospect of the investment of the Target Company, the Board is of the view that the Acquisition will provide an opportunity to the Company for potential return from the investment and may expand the market and business opportunity of the Company. As disclosed in the 2018 annual report of the Company, focusing on the communication industry, in particular the product demand of 5G network, the Group will have a substantial access to the new hardware production industry necessary for the construction of 5G network, further expand the overseas market to establish a stable overseas sales network and explore the opportunity to set foot in the basic telecommunication operator, so as to grasp the growth potential of the communication industry and enhance our competitiveness in the market and market share. The Directors are of the view that the Acquisition will provide a steppingstone to tap into the advanced technology products market as well as the overseas market.

The Directors, after reviewing the terms of the SP Agreement and having considered the reasons of the Acquisition as described above, are of the view that the SP Agreement and the transactions contemplated thereunder have been entered into on normal commercial terms (or on terms which are no less favourable to the Group), and the terms of the SP Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Acquisition exceed(s) 5% but is/are less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Completion is subject to the fulfillment and/or waiver of the conditions precedent set out in the SP Agreement and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares.

DEFINITION

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

“Acquisition”	the acquisition of the Sale Share and the assignment of the Shareholder’s Loan pursuant to the SP Agreement
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day (other than a Saturday, Sunday and public holiday) on which banks in Hong Kong and the PRC are open for business
“Company”	Nanfang Communication Holdings Limited (南方通信控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1617)
“Completion”	completion of the Acquisition in accordance with the terms and conditions of the SP Agreement
“Completion Date”	any day within 5 Business Days after all conditions precedent of the SP Agreement have been fulfilled or waived or such other date as the parties to the SP Agreement shall agree in writing and as the date on which Completion shall take place
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the consideration of the Acquisition, being US\$14,715,001
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Third Party(ies)”	any entity(ies) or person(s) which or who is/are not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China
“PSD Loan”	the loan in the amount of US\$8,000,000 owed by the Target Company to the Company
“Purchaser”	the Company
“Sale Share”	one ordinary share in the Target Company representing the entire issued share capital of the Target Company
“Shareholder(s)”	holder(s) of the shares of the Company
“Shareholder’s Loan”	the shareholder’s loan together with interest owed by the Target Company to the Vendor in the principal amount of US\$14,715,000 as of the date of the SP Agreement
“SP Agreement”	the sale and purchase agreement dated 26 June 2019 entered into among the Vendor and the Purchaser in respect of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Pacific Smart Development Limited, a company incorporated in the BVI with limited liability
“Vendor” or “Gold Image”	Gold Image Limited, a company incorporated in the BVI with limited liability, the vendor under the SP Agreement
“%”	per cent

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

Hong Kong, 26 June 2019

As at the date of this announcement, the executive Directors are Mr. Shi Ming (chief executive officer), Ms. Yu Rumin and Ms. Yu Ruping; 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.

* For identification purpose only