

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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)

CONTINUING CONNECTED TRANSACTIONS RELATING TO THE JIANGSU HENGTONG FRAMEWORK PROCUREMENT AND SUPPLY AGREEMENT

The Board is pleased to announce that on 28 September 2018 (after trading hours), Nanfang Communication and Jiangsu Hengtong entered into the Jiangsu Hengtong Framework Procurement and Supply Agreement in relation to the ongoing purchase and sales of communication products including (i) optical fibre preforms, (ii) optical fibre and (iii) optical fibre cables and their raw materials between Nanfang Communication Group and Jiangsu Hengtong Group for a period from 28 September 2018 to 31 December 2020.

LISTING RULES IMPLICATIONS

As Jiangsu Hengtong is the holding company of Hengtong Light Guide, which is a substantial shareholder of Yingke Optical Material, a subsidiary of the Company for the purpose of the Listing Rules, Jiangsu Hengtong is considered as a connected person of the Company at the subsidiary level.

Therefore, the transactions contemplated under the Jiangsu Hengtong Framework Procurement and Supply Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As (i) Jiangsu Hengtong is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Jiangsu Hengtong Framework Procurement and Supply Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the transactions contemplated under the Jiangsu Hengtong Framework Procurement and Supply Agreement and confirmed that the terms of the Jiangsu Hengtong Framework Procurement and Supply Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the continuing connected transactions under the Jiangsu Hengtong Framework Procurement and Supply Agreement are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board is pleased to announce that on 28 September 2018 (after trading hours), Nanfang Communication and Jiangsu Hengtong entered into the Jiangsu Hengtong Framework Procurement and Supply Agreement in relation to the ongoing purchase and sales of communication products including (i) optical fibre preforms, (ii) optical fibre and (iii) optical fibre cables and their raw materials between Nanfang Communication Group and Jiangsu Hengtong Group for a period from 28 September 2018 to 31 December 2020.

Jiangsu Hengtong Framework Procurement and Supply Agreement

The principal terms of the Jiangsu Hengtong Framework Procurement and Supply Agreement are summarised as follows:

Date:	28 September 2018
Parties:	(1) Jiangsu Hengtong (2) Nanfang Communication
Term:	28 September 2018 to 31 December 2020
Subject matter:	Nanfang Communication and Jiangsu Hengtong agree to purchase and sell, on a non-exclusive basis, to another party and their respective affiliates (i.e. Nanfang Communication Group and Jiangsu Hengtong Group) communication products including (i) optical fibre preforms, (ii) optical fibre and (iii) optical fibre cables and their raw materials (the “ Relevant Products ”) pursuant to the terms of the Jiangsu Hengtong Framework Procurement and Supply Agreement.
Operational Agreement(s):	Pursuant to the Jiangsu Hengtong Framework Procurement and Supply Agreement, Nanfang Communication Group may, from time to time during the term of the Jiangsu Hengtong Framework Procurement and Supply Agreement, enter into separate Operational Agreement(s) in respect of the purchases and sales covered by the Jiangsu Hengtong Framework Procurement and Supply Agreement, which will specify, among others, the price and quantity of the Relevant Products to be purchased and sold, provided that such separate Operational Agreement(s) shall always be subject to the terms of the Jiangsu Hengtong Framework Procurement and Supply Agreement.

Basis of pricing:

The price under the Operational Agreement(s) will be determined in the ordinary course of business on normal commercial terms, negotiated on an arm's length basis and on the following principles that, before entering into the Operational Agreement, the sales staff or procurement staff of Nanfang Communication Group (as the case may be) shall obtain at least two independent suppliers' fee quotes (for procurement) or two independent customers' fee quotes (for sale) of the Relevant Products. The purchase price and selling price of the Relevant Products is to be determined based on the fee quotes obtained from the Independent Third Parties in respect of purchase and sales of the Relevant Products, taking into account other factors including quantity, product types and delivery method. Such purchase price and selling price should not be less favorable than the price payable to (for procurement) or offered by (for sale) the Independent Third Parties for the purchase and sale of similar products by Nanfang Communication Group (as the case may be).

For the purpose of the Jiangsu Hengtong Framework Procurement and Supply Agreement, the scope has excluded: (a) the ongoing purchase of optical fibre preforms and raw materials for production of optical fibre preforms by Yingke Optical Material from Hengtong Light Guide for a period from 4 April 2018 to 31 December 2020 under the Framework Procurement Agreement; and (b) the ongoing supply of optical fibre preforms by Yingke Optical Material to Nanfang Optic for a period from 4 April 2018 to 31 December 2020 under the Framework Supply Agreement, details of which are set out in the announcement of the Company dated 4 April 2018 (collectively, the **“Ongoing Transactions between the Nanfang Communication Group and Jiangsu Hengtong Group”**).

Historical Amount

Save for the Ongoing Transactions between the Nanfang Communication Group and Jiangsu Hengtong Group, the Group has not had any previous purchase of the Relevant Products from Jiangsu Hengtong, nor any previous sales of the Relevant Products to Jiangsu Hengtong Group since October 2017 when Jiangsu Hengtong became a connected person of our Company at subsidiary level pursuant to the establishment of a joint venture company, namely Yingke Optical Material, between Nanfang Communication and Hengtong Light Guide.

For details of the Ongoing Transactions between the Nanfang Communication Group and Jiangsu Hengtong Group, please refer to the announcement of the Company dated 4 April 2018.

Annual caps and basis of determination

In respect of the purchase of the Relevant Products from Jiangsu Hengtong Group:

The Board estimates that the procurement fee in respect of the purchase of the Relevant Products from Jiangsu Hengtong Group by Nanfang Communication Group under the Jiangsu Hengtong Framework Procurement and Supply Agreement for the three years ending 31 December 2020 will not exceed the following annual caps set forth in the table below:

	Year ending 31 December		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Procurement fee	100,000	200,000	200,000

In determining the above annual caps, the Directors have considered generally:

- (a) the estimated procurement budget of the Relevant Products from Jiangsu Hengtong Group by Nanfang Communication Group as at 30 September 2018; and
- (b) other economic factors (including, among others, the inflation and fluctuation of the market price and demand of the Relevant Products),

and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of Nanfang Communication Group and Jiangsu Hengtong Group.

In respect of the sale of the Relevant Products to Jiangsu Hengtong Group:

The Board estimates that the sales amount in respect of the sale of the Relevant Products to Jiangsu Hengtong Group by Nanfang Communication Group under the Jiangsu Hengtong Framework Procurement and Supply Agreement for the three years ending 31 December 2020 will not exceed the following annual caps set forth in the table below:

	Year ending 31 December		
	2018	2019	2020
	(RMB'000)	(RMB'000)	(RMB'000)
Sales amount	100,000	200,000	200,000

In determining the above annual caps, the Directors have considered generally:

- (a) the estimated sales budget of the Relevant Products to Jiangsu Hengtong Group by Nanfang Communication Group as at 30 September 2018; and

(b) other economic factors (including, among others, the inflation and fluctuation of the market price and demand of the Relevant Products),

and on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of Nanfang Communication Group and Jiangsu Hengtong Group.

The Company will comply with the requirement of the annual review as set out in Listing Rules and will re-comply with the relevant Listing Rules if any of the annual caps is exceeded, or when the Jiangsu Hengtong Framework Procurement and Supply Agreement is renewed or there is a material change to the terms of the Jiangsu Hengtong Framework Procurement and Supply Agreement.

In view of (i) the business track record of Jiangsu Hengtong; (ii) the Group's potential demand for stable and reliable supply of the Relevant Products, some of which can be supplied by Jiangsu Hengtong Group after considering the price and other relevant factors; (iii) the difficulty to secure another reliable and stable supplier which could meet the Group's quality requirement without incurring additional and potentially significant resources; (iv) flexibility in maintaining excess supply of the Relevant Products at relevant time by supplying the same to Jiangsu Hengtong Group to meet its ad hoc demand from, in particular, overseas customers; (v) maintenance of cordial business relationship with Jiangsu Hengtong Group; and (vi) the terms of the Operational Agreement(s) to be entered into according to the Jiangsu Hengtong Framework Procurement and Supply Agreement are on terms no less favourable than those terms which can be obtained by Nanfang Communication Group from the Independent Third Parties, the Directors consider that it would be beneficial to the Group for Nanfang Communication Group to purchase/sell the Relevant Products from/to Jiangsu Hengtong Group.

INFORMATION ON THE GROUP

The Group is principally engaged in the manufacturing and sales of a wide range of optical fibre cable products.

INFORMATION ON JIANGSU HENGTONG

Jiangsu Hengtong is a company established in the PRC on 5 June 1993 and whose A shares are listed on Shanghai Stock Exchange and is principally engaged in manufacturing and sales of communication products including optical fibre preforms, optical fibre, optical fibre cables and their raw materials.

LISTING RULES IMPLICATIONS

As Jiangsu Hengtong is the holding company of Hengtong Light Guide, which is a substantial shareholder of Yingke Optical Material, a subsidiary of the Company for the purpose of the Listing Rules, Jiangsu Hengtong is considered as a connected person of the Company at the subsidiary level. Therefore, the transactions contemplated under the Jiangsu Hengtong Framework Procurement and Supply Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules.

As (i) Jiangsu Hengtong is a connected person of the Company at the subsidiary level; (ii) the transactions contemplated under the Jiangsu Hengtong Framework Procurement and Supply Agreement are on normal commercial terms; (iii) the Board (including all the independent non-executive Directors) have approved the transactions contemplated under the Jiangsu Hengtong Framework Procurement and Supply Agreement and confirmed that the terms of the Jiangsu Hengtong Framework Procurement and Supply Agreement are fair and reasonable and on normal commercial terms and in the interests of the Company and the Shareholders as a whole, by virtue of Rule 14A.101 of the Listing Rules, the continuing connected transactions under the Jiangsu Hengtong Framework Procurement and Supply Agreement are subject to the reporting and announcement requirements but are exempted from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

APPROVAL OF THE BOARD

The Board has approved the transactions contemplated under the Jiangsu Hengtong Framework Procurement and Supply Agreement.

None of the Directors had material interests in the transactions contemplated under the Jiangsu Hengtong Framework Procurement and Supply Agreement. Therefore, no Director is required to abstain from voting on the resolutions of the Board approving the said agreement.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors

“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)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Framework Procurement Agreement”	the framework procurement agreement dated 4 April 2018 entered into between Yingke Optical Material as purchaser and Hengtong Light Guide as supplier in relation to the purchase of optical fibre preforms and raw materials for production of optical fibre preforms by Yingke Optical Material from Hengtong Light Guide
“Framework Supply Agreement”	the framework supply agreement dated 4 April 2018 entered into between Yingke Optical Material as supplier and Nanfang Optic as purchaser in relation to the supply of optical fibre preforms by Yingke Optical Material to Nanfang Optic
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hengtong Light Guide”	Jiangsu Hengtong Light Guide New Materials Company Limited (江蘇亨通光導新材料有限公司), a company established in the PRC and a wholly-owned subsidiary of Jiangsu Hengtong
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Jiangsu Hengtong”	Jiangsu Hengtong Optic-Electric Company Limited (江蘇亨通光電股份有限公司), a company established in the PRC and the A shares of which are listed on Shanghai Stock Exchange (Stock code: 600487)

“Jiangsu Hengtong Framework Procurement and Supply Agreement”	the Jiangsu Hengtong Framework Procurement and Supply Agreement dated 28 September 2018 entered into between Nanfang Communication and Jiangsu Hengtong in relation to the purchase and sales of communication products including optical fibre preforms, optical fibre, optical fibre cables and their raw materials between Nanfang Communication Group and Jiangsu Hengtong Group from time to time
“Jiangsu Hengtong Group”	Jiangsu Hengtong and its affiliates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Nanfang Communication”	Jiangsu Nanfang Communication Technology Company Limited (江蘇南方通信科技有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Nanfang Communication Group”	Nanfang Communication and its affiliates
“Operational Agreement(s)”	the individual agreement(s) which may from time to time be entered into between Nanfang Communication Group and Jiangsu Hengtong Group subject and pursuant to the Jiangsu Hengtong Framework Procurement and Supply Agreement
“PRC”	The People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yingke Optical Material”	Jiangsu Yingke Optical Material Technology Company Limited (江蘇盈科光導科技有限公司), a company established in the PRC and held as to 51% by Nanfang Communication and 49% by Hengtong Light Guide
“%”	per cent

The English names of the PRC entities referred to in this announcement are translations from their Chinese names and are for identification purposes only. If there is any inconsistency, the Chinese names shall prevail.

On behalf of the Board
Nanfang Communication Holdings Limited
Yu Jinlai
Chairman

Hong Kong, 28 September 2018

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.