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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)

INSIDE INFORMATION - POSSIBLE SUBSCRIPTION OF PREFERRED SHARES IN THE TARGET

This announcement is made by the Company pursuant to Rule 13.09(1) of the Listing Rules and the Inside Information Provisions under Part XIVA of the SFO.

THE TERM SHEET

On 6 November 2018 (after trading hours of the Stock Exchange), the Company entered into the Term Sheet with the Target and certain other parties thereto, pursuant to which the parties to the Term Sheet will further negotiate with the Company for the proposed subscription of certain number of preferred shares of par value of USD0.0001 each of the Target (the “**Preferred Shares**”) to be issued by the Target to the Company at a share price to be determined by the parties upon signing of a formal agreement. To the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, each of the Target and its ultimate beneficial owners is an Independent Third Party.

It is proposed that the total indicative subscription money by the Company for the Preferred Shares shall be approximately USD60,000,000. The subscription price will be payable by the Company to the Target at the applicable closing date upon the satisfaction or waiver of closing conditions as may be stated in the formal agreement.

After signing of the Term Sheet, the Company shall commence due diligence on the legal, financial and business conditions of the Target Group and shall also commence the negotiations with the Target for the terms and conditions of the Proposed Subscription and it is expected that the definitive agreement for the Proposed Subscription will be entered into on or before 27 December 2018.

It is also proposed in the Term Sheet that subject to the entering into of the formal loan agreement, the Company may provide a loan in the amount of USD30,000,000 to the Target for a term of six months which may be converted into the subscription money for the Proposed Subscription if materialised. The proposed loan, if materialised, may be regarded as a financial assistance by the Company and therefore constitute a notifiable transaction of the Company under the Listing Rules. Further announcement(s) in relation thereto will be made by the Company as and when appropriate in accordance with the Listing Rules.

INFORMATION ON THE TARGET AND REASONS FOR ENTERING INTO THE TERM SHEET

The Target is a company incorporated in the Cayman Islands, and is engaged in the business of investment holding. The Target Group consists of various companies incorporated in, among others, the United States, Taiwan and the People's Republic of China respectively. The Target Group is a global provider of advanced technology solutions for communications and data connectivity, its products cover the data centre transceiver, fixed broadband, wireless broadband and optical transmission.

The Target is seeking new investor(s) to fund its working capital and the preferred shares proposed to be subscribed by the Company will increase the number of issued and outstanding preferred shares of the Target.

The Company and its subsidiaries are well-established optical fibre cable products suppliers. The Company and its subsidiaries derive the revenue principally from manufacturing and sales of a wide range of optical fibre cable products.

The Company looks at and considers potential investment opportunities from time to time. In view of the business development and prospect of the Target Group, the Board is of the view that, if the Proposed Subscription is materialised, it will provide an opportunity to the Company for potential return from the investment and may expand the market and business opportunity of the Company.

GENERAL

The Proposed Subscription (including the proposed loan), if materialised, may constitute a notifiable transaction of the Company under the Listing Rules. Further announcement(s) in relation to the Proposed Subscription will be made by the Company as and when appropriate in accordance with the Listing Rules.

The Board would like to emphasize that other than the provisions relating to, among others, the costs and expenses, confidentiality and governing laws, the terms set out in the Term Sheet are indicative only and may be subject to change, and no legally binding agreement in relation to the Proposed Subscription has been entered into by the Company and the Target as at the date of this announcement. As the Proposed Subscription may or may not materialise, Shareholders and potential investors are advised to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“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)
“Director(s)”	the director(s) of the Company
“Hong Kong”	the Hong Kong Special Administrative Region of The People’s Republic of China
“Independent Third Party”	a party who is a third party independent of the Company and its connected persons and their respective associates (within the meaning of the Listing Rules)
“Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Proposed Subscription”	the proposed subscription of certain number of Preferred Shares to be issued by the Target
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target”	a company with limited liability incorporated under the laws of Cayman Islands
“Target Group”	the Target and its subsidiaries

“Term Sheet”	the non-legally binding term sheet dated 6 November 2018 entered into between, amongst others, the Company and the Target in relation to the Proposed Subscription
“USD”	United States dollars, the lawful currency of the United States
“%”	per cent

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

Hong Kong, 6 November 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.