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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)

PLACING OF NEW SHARES UNDER GENERAL MANDATE

Placing Agent



ENLIGHTEN

On 26 November 2021 (after trading hours of the Stock Exchange), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 246,400,000 Placing Shares at the Placing Price of HK\$0.125 per Placing Share to not less than six Placees who and whose beneficial owners are Independent Third Parties. The Placing Shares will be allotted and issued pursuant to the General Mandate granted to the Directors at the AGM held on 25 June 2021.

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 246,400,000 Placing Shares under the Placing represent (i) 20.00% of the existing 1,232,000,000 issued Shares of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued Shares of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$246,400.

The Placing Price of HK\$0.125 per Placing Share represents (i) a discount of approximately 17.22% to the closing price of HK\$0.151 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 12.22% to the average closing price of HK\$0.1424 per Share in the last five trading days immediately prior to the date of the Placing Agreement.

Subject to completion of the Placing, it is expected that the maximum gross proceeds and net proceeds from the Placing will be approximately HK\$30.8 million and HK\$30.0 million respectively. On such basis, the net issue price will be approximately HK\$0.122 per Placing Share.

Since completion of the Placing is subject to the fulfillment of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

PLACING OF NEW SHARES UNDER GENERAL MANDATE

The Board announces that on 26 November 2021 (after trading hours of the Stock Exchange), the Placing Agent and the Company entered into the Placing Agreement pursuant to which the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 246,400,000 Placing Shares at the Placing Price of HK\$0.125 per Placing Share to the Placees who and whose beneficial owners are Independent Third Parties. The principal terms of the Placing Agreement are set out below.

THE PLACING AGREEMENT

Date : 26 November 2021

Company : The Company

Placing Agent ; Enlighten Securities Limited

Pursuant to the terms of the Placing Agreement, the Company has conditionally agreed to place through the Placing Agent, on a best endeavour basis, up to 246,400,000 Placing Shares to not less than six Placees who and whose beneficial owners are Independent Third Parties. The terms of the Placing Agreement were arrived at after arm's length negotiations between the Company and the Placing Agent under normal commercial terms and with reference to the prevailing market conditions. The Directors are of the view that the terms of the Placing Agreement are fair and reasonable based on current market conditions.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Placing Agent and its ultimate beneficial owners are Independent Third Parties. As at the date of this announcement, the Placing Agent and its ultimate beneficial owners were not interested in any other Shares.

The Placing Agent will charge the Company a placing commission equivalent to 2.5% of the aggregate Placing Price in respect of such number of Placing Shares successfully placed by the Placing Agent plus any other out-of-pocket charges and expenses by the Placing Agent in relation to the Placing. The placing commission was arrived at after arm's length negotiations between the Company and the Placing Agent with reference to the prevailing market rates.

Placees

The Placing Agent will, on a best endeavour basis, place the Placing Shares to the Placees, who and whose ultimate beneficial owner(s) (if applicable) shall be Independent Third Parties. It is expected that there will be not less than six Placees.

Number of Placing Shares

Assuming that there will be no change in the issued share capital of the Company between the date of this announcement and the completion of the Placing, the maximum number of 246,400,000 Placing Shares under the Placing represent (i) 20.00% of the existing 1,232,000,000 issued Shares of the Company as at the date of this announcement; and (ii) approximately 16.67% of the issued Shares of the Company as enlarged by the allotment and issue of the Placing Shares. The aggregate nominal value of the maximum number of Placing Shares under the Placing will be HK\$246,400.

Ranking of Placing Shares

The Placing Shares under the Placing will rank, upon allotment and issue, *pari passu* in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Placing Price

The Placing Price of HK\$0.125 per Placing Share represents (i) a discount of approximately 17.22% to the closing price of HK\$0.151 per Share as quoted on the Stock Exchange on the date of the Placing Agreement; and (ii) a discount of approximately 12.22% to the average closing price of HK\$0.1424 per Share in the last five trading days immediately prior to the date of the Placing Agreement.

The Placing Price of the Placing was determined with reference to the prevailing market prices of the Shares and was negotiated on an arm's length basis between the Company and the Placing Agent. The Directors consider that the terms of the Placing (including the Placing Price and the placing commission) are on normal commercial terms and are fair and reasonable based on the current market conditions. Hence, the Placing is in the interests of the Company and the Shareholders as a whole.

Subject to completion of the Placing, it is expected that the maximum gross proceeds and net proceeds (after deducting placing commission and other relevant costs and expenses) from the Placing will be approximately HK\$30.8 million and HK\$30.0 million respectively. On such basis, the net issue price will be approximately HK\$0.122 per Placing Share.

General Mandate to allot and issue of Placing Shares

The Placing Shares will be allotted and issued under the General Mandate, which was granted to the Directors pursuant to an ordinary resolution of the Shareholders passed at the AGM subject to the limit up to 20% of the then issued share capital of the Company as at the date of the AGM. Accordingly, the issue of the Placing Shares is not subject to the approval of the Shareholders.

Under the General Mandate, the Company is authorised to issue up to 246,400,000 Shares. Up to the date of this announcement, no Shares have been issued under the General Mandate. The maximum of 246,400,000 Placing Shares to be allotted and issued will utilize 100% of the General Mandate.

Application for listing of Placing Shares

Application will be made by the Company to the Stock Exchange for the grant of the listing of, and permission to deal in, the Placing Shares.

Conditions of the Placing

Completion of the Placing is conditional upon (i) the Stock Exchange having granted the listing of, and permission to deal in, the Placing Shares to be placed pursuant to the Placing Agreement; and (ii) all necessary consents and approvals to be obtained on the part of each of the Placing Agent and the Company in respect of the Placing Agreement and the transactions contemplated thereunder having been obtained, on or before 17 December 2021 (or such later date as the parties thereto may agree in writing) ("**Long Stop Date**").

If any of the above conditions are not satisfied on or before the Long Stop Date, the obligations of the Placing Agent and of the Company under the Placing Agreement shall cease and determine and neither the Placing Agent nor the Company shall have any claim against the other in relation to the Placing Agreement, save in respect of any antecedent breach of any obligation under the Placing Agreement.

Completion of the Placing

Completion of the Placing shall take place on the third Business Day (the “**Completion Date**”) after the fulfillment of the above conditions or on such other date as the Company and the Placing Agent may agree in writing.

Termination

The Placing Agent may, in its reasonable opinion, after consultation with the Company, terminate the Placing Agreement by notice in writing to the Company at any time up to 8:00 a.m. on the Completion Date if:

- (1) there is any change in national, international, financial, exchange control, political, economic conditions in Hong Kong which in the reasonable opinion of the Placing Agent would be materially adverse in the consummation of the Placing; or
- (2) there is any breach of the warranties, representations and undertakings given by the Company in the Placing Agreement and such breach is considered by the Placing Agent on reasonable grounds to be material in the context of the Placing; or
- (3) there is any material change (whether or not forming part of a series of changes) in market conditions which in the reasonable opinion of the Placing Agent would materially and prejudicially affect the Placing or makes it inadvisable or inexpedient for the Placing to proceed; or
- (4) any statement contained in the previous announcements of the Company has become or been discovered to be untrue, incorrect or misleading in any material respect which in the opinion of the Placing Agent would be materially adverse in the consummation of the Placing.

Upon termination of the Placing Agreement as described above, all liabilities of the parties hereto thereunder shall cease and determine and no party hereto shall have any claim against the other party in respect of any matter or thing arising out of or in connection with the Placing Agreement save in respect of any antecedent breach of any obligation under the Placing Agreement.

The Directors are not aware of the occurrence of any of the above events as at the date of this announcement.

REASONS FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the manufacturing and sales of optical fibre cables and optical distribution network devices.

It is expected that the maximum gross proceeds and net proceeds from the Placing will be approximately HK\$30.8 million and HK\$30.0 million respectively. The net proceeds from the Placing are intended to be used for general working capital of the Group.

The Directors are of the view that the Placing can strengthen the financial position of the Company for its operation and provide funding to the Company to meet any future investment opportunities in the business. The Placing also represents a good opportunity to broaden the Shareholders' base and the capital base of the Company.

The Directors (including the independent non-executive Directors) consider that the terms and conditions of the Placing Agreement are fair and reasonable and are on normal commercial terms and the Placing is in the interest of the Company and the Shareholders as a whole.

EFFECT ON SHAREHOLDING STRUCTURE OF THE COMPANY

Assuming the Placing will be completed in full and there being no other changes in the total issued share capital of the Company from the date of this announcement up to the Completion Date, set out below is the shareholding structure of the Company (i) as at the date of this announcement and (ii) immediately after the Completion.

Shareholder	At the date of this announcement		Shareholding immediately upon completion of the Placing	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Pacific Mind Development Limited (<i>Note</i>)	840,000,000	68.18	840,000,000	56.82
<i>Public</i>				
The Places	–	–	246,400,000	16.67
Other Shareholders	<u>392,000,000</u>	<u>31.82</u>	<u>392,000,000</u>	<u>26.51</u>
Total	<u>1,232,000,000</u>	<u>100</u>	<u>1,478,400,000</u>	<u>100</u>

Note:

The entire issued share capital of Pacific Mind Development Limited (“**Pacific Mind**”) is directly owned by UBS Nominee Limited, a company incorporated in the Island of Jersey, being the nominee holding the entire issued share capital of Pacific Mind for UBS TC (Jersey) Limited (the “**Trustee**”). The Trustee is a trustee of a discretionary trust set up by Ms. Yu Rumin for which it acts as the trustee and Ms. Yu Rumin, her family members and any persons being approved are the beneficiaries.

EQUITY FUND RAISING ACTIVITIES OF THE COMPANY DURING THE PAST 12 MONTHS

The Company had not conducted any equity fund raising activity in the past 12 months immediately preceding the date of this announcement.

Since completion of the Placing is subject to fulfillment of the conditions as set out in the Placing Agreement, the Placing may or may not proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

DEFINITIONS

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

“AGM”	the annual general meeting of the Company held on 25 June 2021
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (not being a Saturday, Sunday or public holiday) on which licensed banks are generally open for business in Hong Kong throughout their normal business hours
“Company”	Nanfang Communication Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on Main Board of the Stock Exchange
“connected person”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	director(s) of the Company

“General Mandate”	the general mandate granted to the Directors at the AGM to allot, issue or deal with up to 20% of the then issued share capital of the Company as at the date of the AGM
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons and is not acting in concert (as defined in the Codes on Takeovers and Mergers and Share Buy-backs) with any of the connected persons of the Company or any of their respective associates (as defined under the Listing Rules)
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Placee(s)”	any individuals, corporate, institutional investors or other investors to be procured by or on behalf of the Placing Agent under the Placing
“Placing”	the offer by way of private placing of the Placing Shares by or on behalf of the Placing Agent to the Placee(s) on the terms and subject to the conditions set out in the Placing Agreement
“Placing Agent”	Enlighten Securities Limited, the placing agent for the Placing and a licensed corporation to carry out Type 1 (dealing in securities) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) in Hong Kong
“Placing Agreement”	the conditional placing agreement entered into between the Company and the Placing Agent dated 26 November 2021 in respect of the Placing
“Placing Price”	HK\$0.125 per Placing Share
“Placing Shares”	an aggregate of up to 246,400,000 new Shares to be placed pursuant to the Placing Agreement and each a “Placing Share”

“Share(s)”	ordinary share(s) of HK\$0.001 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
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

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

Hong Kong, 26 November 2021

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.