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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)

VERY SUBSTANTIAL DISPOSAL
DISPOSAL OF THE SALE SHARES
AND
RESUMPTION OF TRADING

FORMAL SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 23 June 2024, Pacific Smart (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Formal Sale and Purchase Agreement, pursuant to which Pacific Smart conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares.

The Consideration payable to Pacific Smart by the Purchaser for the Sale Shares is US\$21,559,218 (equivalent to approximately RMB156.6 million, converted at the Announcement Exchange Rate).

The Consideration was arrived at after arms-length negotiations between Pacific Smart, the Other Vendors and the Purchaser and having taken into account the value of the Target Company in accordance with the Valuation Report.

The Valuation

According to the Valuation Report, the Target Company was valued at RMB4,125 million as at 31 December 2023 (equivalent to approximately US\$582.4 million, if converted at the Valuation Exchange Rate; and equivalent to approximately US\$567.7 million, if converted at the Announcement Exchange Rate).

In arriving at the value of RMB4,125 million, the Valuer adopted market approach in valuing the Target Company.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, none of the Shareholders has a material interest in the Disposal and therefore, no Shareholder will be required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Formal Sale and Purchase Agreement and the transactions contemplated thereby.

A circular containing, amongst other things, (i) further details of the Disposal, including the Valuation Report; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the EGM to approve the Disposal, will be despatched to the Shareholders no later than 22 July 2024.

RESUMPTION OF TRADING

Trading in the Shares was halted with effect from 9:00 a.m. on Monday, 24 June 2024 at the request of the Company, pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 2 July 2024.

Completion of the Disposal is subject to the fulfilment of certain conditions precedent and therefore may or may not take place. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

INTRODUCTION

Reference is made to the announcement of the Company dated 4 December 2023 (the “**Previous Announcement**”) in relation to the Disposal.

The Board is pleased to announce that on 23 June 2024, Pacific Smart (an indirect wholly-owned subsidiary of the Company) and the Purchaser entered into the Formal Sale and Purchase Agreement, pursuant to which Pacific Smart conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares.

FORMAL SALE AND PURCHASE AGREEMENT

The principal terms of the Formal Sale and Purchase Agreement are set out as follows:

Date	23 June 2024
Parties	(i) Pacific Smart (as vendor); and (ii) the Purchaser.

Pacific Smart held 8,235,293 class A preferred shares in the issued share capital (representing approximately 4.00% shareholding as at the date of this Announcement and approximately 3.48% shareholding on a fully-diluted basis) of the Target Company as at the date of the Formal Sale and Purchase Agreement.

Subject Matter

Pacific Smart has conditionally agreed to sell the Sale Shares, being 8,235,293 class A preferred shares (representing approximately 4.00% shareholding as at the date of this Announcement and approximately 3.48% shareholding on a fully-diluted basis) of the Target Company to the Purchaser at the Completion Date. The Sale Shares represent all the class A preferred shares of the Target Company held by Pacific Smart as at the date of the Formal Sale and Purchase Agreement.

Consideration

The Consideration payable to Pacific Smart by the Purchaser for the Sale Shares is US\$21,559,218 (equivalent to approximately RMB156.6 million, converted at the Announcement Exchange Rate). Therefore, the price for each Sale Share is US\$2.6179.

Simultaneously with the signing of the Formal Sale and Purchase Agreement, the Purchaser also entered into the Main SPA with the Other Vendors and the Target Company for purchasing 115,518,410 shares (representing approximately 56.15% shareholding as at the date of this Announcement and approximately 48.78% shareholding on a fully-diluted basis) in the Target Company at the price of US\$2.6179 per share.

The Consideration was arrived at after arms-length negotiations between Pacific Smart, the Other Vendors and the Purchaser and having taken into account the value of the Target Company at RMB4,125 million (equivalent to approximately US\$582.4 million, converted at the Valuation Exchange Rate) in accordance with the Valuation Report. The Parties have also taken into account (i) the potential dilution effect of the 31,115,675 Employee Share Options which may be exercised at the exercise price of US\$1.19 per Employee Share Option, as the Parties consider that the exercise of the Employee Share Options will affect both the value of the Target Company and the value per share of the Target Company; and (ii) the fact that the Other Vendors are also selling their shares in the Target Company to the Purchaser at the same price of US\$2.6179 per share. Therefore, the Board considers that it is fair and reasonable to take these factors into account for arriving at the amount of the Consideration.

If all the 31,115,675 Employee Share Options are exercised in full, the enlarged share capital of the Target Company will consist of 236,830,561 issued shares and the value of the Target Company will increase by approximately US\$37 million from approximately US\$582.4 million (as per the Valuation) to approximately US\$620 million and therefore the value per share will become approximately US\$2.6179. As Pacific Smart holds 8,235,293 class A preferred shares in the Target Company, the Parties agree that the Consideration shall be US\$21,559,218.

The ESOP Participants Representative, the Purchaser and the Target Company entered into an agreement on 23 June 2024 pursuant to which the Purchaser agrees to purchase all the Employee Share Options from their holders upon fulfilment of certain performance targets by the Target Company in the financial years ending 31 December 2024, 2025 and 2026.

To the best of the knowledge, information and belief of the Directors having made all reasonable enquires, all other shareholders of the Target Company (including but not limited to the Other Vendors) and all the holders of Employee Share Options are Independent Third Parties.

The Valuation

According to the Valuation Report, prepared by the Valuer engaged by the Purchaser, the Target Company was valued at RMB4,125 million as at 31 December 2023 (equivalent to approximately US\$582.4 million, if converted at the Valuation Exchange Rate; and equivalent to approximately US\$567.7 million, if converted at the Announcement Exchange Rate).

The Valuation Report does not state any value per share of the Target Company.

In preparing the Valuation Report, the Valuer has relied upon (inter alia):

1. the audited consolidated financial statements of the Target Company for the two financial years ended 31 December 2022 and 2023;
2. corporate documents of the Target Group;
3. title documents, invoices, agreements, certificates and other documentary proofs of the material assets and intellectual property rights owned by the Target Group; and
4. various asset valuation rules, regulations and guidance published in the PRC.

The Valuation is based upon the assumption that the Target Company will continue to operate as a going concern.

In arriving at the market value of the Target Company of RMB4,125 million as at 31 December 2023, the Valuer adopted market approach in valuing the Target Company. Market value is defined as “the estimated amount for which the valuation target (i.e. the Target Company) should exchange on 31 December 2023, being the valuation date, between a willing buyer and a willing seller in an arm’s length transaction and where the parties had each acted knowledgeably, prudently and without compulsion”.

The Valuer has adopted market approach in preparing the Valuation Report, as it considers that the capital market constituted by the Shanghai Stock Exchange and Shenzhen Stock Exchange has sufficient number of companies (i.e. market comparables) which are in the same industry in which the Target Group is running its business and that the Valuer is able to obtain the market information, financial information and other relevant information of the market comparables from the public information in the capital market. The Valuer has conducted the Valuation by comparing the Target Company with the market comparables based on their enterprise value-to-revenue (EV/R) and enterprise value-to-total assets (EV/total assets).

Payment of Consideration

The Consideration shall be satisfied in cash by the Purchaser to Pacific Smart by instalments:

- (i) the 1st Instalment of US\$10,995,201 (equivalent to approximately RMB79,891,130, converted at the Announcement Exchange Rate), representing 51% of the Consideration, shall be payable by the Purchaser within 10 Business Days after the date on which all the conditions precedents for the 1st Instalment set out below have been satisfied;
- (ii) the 2nd Instalment of US\$10,564,017 (equivalent to approximately RMB76,758,148, converted at the Announcement Exchange Rate), representing the remaining 49% of the Consideration, shall be payable by the Purchaser within 10 Business Days after the expiry of nine months' period from the date of the Formal Sale and Purchase Agreement but in any event not later than 31 March 2025, subject to the fulfilment of all the conditions precedent for the 2nd Instalment.

Conditions Precedent for the 1st Instalment

The payment of the 1st Instalment by the Purchaser is conditional upon the following conditions (unless otherwise specified in the Formal Sale and Purchase Agreement) being satisfied:

- (a) the Formal Sale and Purchase Agreement and an undertaking to be given by Pacific Smart according to “Rules in relation to Material Assets Reorganisation*” (重大資產重組相關法律法規應簽署) having been duly signed, become effective and delivered to the Purchaser;
- (b) completion of the respective necessary internal decision-making procedures by the Parties, in particular, for the sale of the Sale Shares by Pacific Smart, the approval by the Shareholders of the Formal Sale and Purchase Agreement and the transactions contemplated thereby;
- (c) Pacific Smart having executed and delivered the instrument of transfer in the form prescribed in the Formal Sale and Purchase Agreement, specifying that the transfer shall be effective on the date the 1st Instalment has been paid;
- (d) resolutions have been passed by the shareholders of the Target Company to appoint 6 individuals nominated by the Purchaser as the directors of the Target Company with effect from the Completion Date, and that the originals of such resolutions have been duly delivered to the Purchaser;
- (e) there having no circumstances in the aspects of commercial or technical or legal or financial or other relevant area that would result in a direct economic loss for the Target Company exceeding US\$12.4 million;

- (f) the Purchaser has completed all the necessary procedures required by the relevant government departments and authorities in relation to overseas direct investment and foreign exchange;
- (g) the representations and warranties given by Pacific Smart and the Target Company under the Formal Sale and Purchase Agreement remain to be true, accurate and complete in all material respects as at the Completion Date, and in the event of any inaccuracies or omissions, such inaccuracies or omissions will not result in a direct economic loss for the Target Company exceeding US\$12.4 million;
- (h) there being no laws, rules, judicial or governmental judgments, rulings, injunctions, or any undecided or anticipated litigations, arbitrations, judgments, rulings, injunctions, that may adversely affect the parties to the Formal Sale and Purchase Agreement or the transactions contemplated thereby, and if any such circumstances exists, those circumstances would not result in a direct economic loss for the Target Company exceeding US\$12.4 million;
- (i) the China Securities Regulatory Commission, the Shanghai Stock Exchange, and other relevant regulatory authorities issuing no objection according to the “Rules on Material Asset Reorganisation for A-Shares*” (A股重大資產重組規則) upon fulfilment of the above conditions precedent, and if any such objection is issued, the Purchaser shall illustrate to Pacific Smart in relation to that objection in writing or by any other instrument; and
- (j) the Target Company and holders of over 51% of the voting right in the Target Company have provided a written confirmation to the Purchaser that the relevant consideration has been satisfied in full.

The Formal Sale and Purchase Agreement does not expressly provide any time period and reference basis for calculating the “direct economic loss for the Target Company” in paragraphs (e), (g) and (h) above. The Company considers that it is very difficult to determine and quantify whether the Target Company has suffered any direct economic loss resulting from the matters mentioned in paragraphs (e), (g) and (h). If the Parties eventually cannot agree upon whether the aforesaid matters have caused any direct economic loss of the Target Company and the amount of it, the Parties should refer the matter to the court for its ruling. On the other hand, the fulfilment of conditions precedent in paragraphs (d), (e), (h) and (j) are not within the Company’s control. Given that the conditions precedent set out in the Formal Sale and Purchase Agreement and the conditions precedent set out in the Main SPA are basically the same, and that the Purchaser would not agree to sign the Formal Sale and Purchase Agreement with terms which are substantially different from the Main SPA, the Company considers that such terms are fair and reasonable for this transaction.

Conditions Precedent for the 2nd Instalment

Subject to Completion, the 2nd Instalment shall be paid by the Purchaser to the Vendor after 10 Business Days upon the expiry of 9-month from the date of the Formal Sale and Purchase Agreement, but in any event not later than 31 March 2025.

Termination

The Formal Sale and Purchase Agreement shall be terminated upon occurrence of any of the following events:

- (a) the Purchaser may elect to terminate the Formal Sale and Purchase Agreement without cause within 90 days after its meeting of its board of directors approving the Disposal. For the avoidance of doubt, such right to terminate extinguishes if Completion takes place during the said 90-day period;
- (b) Pacific Smart may elect to terminate the Formal Sale and Purchase Agreement without cause; or
- (c) paragraphs (b) and (f) set out in the section headed “Conditions Precedent for the 1st Instalment” are not satisfied and/or waived.

Termination penalty

The Parties shall pay the following termination penalty if the Formal Sale and Purchase Agreement is terminated:

- (a) the Purchaser shall pay to the Target Company a penalty in the sum equivalent to 1% of the Consideration if it exercises the right to terminate as disclosed in paragraph (a) under the section headed “Termination” of this announcement;
- (b) the Purchaser shall pay to Pacific Smart a penalty in the sum equivalent to 5% of the Consideration if it fails to settle the Consideration after 90 days of the due date of the Consideration;

- (c) Pacific Smart shall pay to the Purchaser a penalty in the sum equivalent to 5% of the Consideration if it fails to fulfil or confirm the following upon the deadline of the payment of the 1st Instalment, or the date on which the Purchaser has acquired 51% of the voting right in the Target Company (whichever is earlier):
 - (i) due execution of the Formal Sale and Purchase Agreement and delivery to the Purchaser;
 - (ii) completion of all internal procedure;
 - (iii) delivery to the Purchaser written waiver to its pre-emptive right in the Sale Shares and other preferential rights which may affect the transactions;
 - (iv) due execution and delivery of relevant transaction documents; and
 - (v) the representations and warranties given to the Purchaser remain to be true and accurate.
- (d) Pacific Smart shall pay to the Purchaser a penalty in the sum equivalent to 5% of the Consideration if it exercises the right to terminate as disclosed in paragraph (b) under the section headed “Termination” of this announcement.

Completion

Completion shall take place on the 5th Business Days after the following conditions are fulfilled in full:

- (a) the Purchaser having paid to Pacific Smart the 1st Instalment;
- (b) the Purchaser having obtained finances designated for the transactions contemplated by the Formal Sale and Purchase Agreement from a bank that the said finances obtained shall prove to the satisfaction of Pacific Smart that the 2nd Instalment will be paid in full; and
- (c) the Purchaser and Pacific Smart have agreed the manner on the management of certain funds in the Purchaser’s account.

The term “certain funds” in paragraph (c) above has not been defined in the Formal Sale and Purchase Agreement. The Company expects that the Parties would be able to reach an agreement on the amount of such funds in due course when the Disposal proceeds to Completion.

As disclosed in the section headed “Conditions Precedent for the 1st Instalment” in this announcement, one of the conditions precedent for the Purchaser to pay the 1st Instalment is that the Target Company and holders of over 51% of the voting right in the Target Company have provided a written confirmation to the Purchaser that the relevant consideration has been satisfied in full. In view of this conditions precedent, Completion may not proceed if the Other Vendors do not sell their shares in the Target Company or any part thereof to the Purchaser.

Following Completion, the Company will cease to have any interests in the Target Company.

INFORMATION ON THE TARGET GROUP

Source Photonics Holdings (Cayman) Limited

Source Photonics Holdings (Cayman) Limited is a company incorporated in the Cayman Islands with limited liability. Its principal businesses are designing, manufacturing and selling of a broad portfolio of optical communications devices, components, modules and subsystems used in communication networks.

The Target Group

The Target Group is a leading global provider of advanced technology solutions for optical communications and data connectivity.

Set out below is a combined financial summary of the fair value of the Company’s investment in the Target Company as extracted from the annual reports of the Company for the two financial years ended 31 December 2022 and 2023, which were prepared in accordance with the IFRS:

	Year ended 31 December	
	2023	2022
	(Audited)	(Audited)
	<i>RMB’000</i>	<i>RMB’000</i>
Financial assets at fair value through profit and loss (“FVTPL”)		
Opening balance	167,150	153,016
Change in fair value of financial asset at FVTPL	(13,029)	–
Foreign exchange gains	–	14,134
	<u> </u>	<u> </u>
Closing balance	<u>154,121</u>	<u>167,150</u>

The Company's investment in the Target Company has been recognised and measured at fair value at the end of each reporting period as a level 3 instrument, i.e. financial assets at FVTPL which is not traded in an active market and its valuation was undertaken by APAC Appraisal and Consulting Limited, an independent qualified professional valuer. Market approach was used to determine the underlying equity value of the Company and guideline public company method model were adopted to determine the fair value of the Company's investment in the Target Company at FVTPL as at 31 December 2022 and 31 December 2023.

Set out below is the net profits/(loss) (both before and after taxation) of the Target Company as extracted from its audited consolidated financial statements for the two financial years ended 31 December 2022 and 2023, which were prepared in accordance with the Chinese Accounting Standards:

	Year ended 31 December	
	2023	2022
	(Audited)	(Audited)
	<i>RMB'000</i>	<i>RMB'000</i>
Net profits/(loss) (before taxation)	(16,230)	138,069
Net profits/(loss) (after taxation)	(17,499)	124,567

INFORMATION ON THE VENDOR

Pacific Smart is a company incorporated with limited liability in the BVI and an indirect wholly-owned subsidiary of the Company. Pacific Smart is principally engaged in investment holding.

INFORMATION ON THE COMPANY AND THE GROUP

The Company is a well-established supplier for optical telecommunication products with the Group's headquarters based in Changzhou City, Jiangsu Province, the PRC. The Group is principally engaged in manufacturing and sales of a wide range of optical fibre cable products and related devices as well as processing and sales of prepainted steel sheets. The Group's customers principally include national and regional telecommunications network operators and telecommunications supporting services providers in the PRC.

INFORMATION ON THE PURCHASER

The Purchaser is a company incorporated with limited liability in the PRC, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600246). The Purchaser is principally engaged in three core businesses, namely (i) real estate development and sales; (ii) urban renewal and operation; and (iii) telecommunication and digital technology.

To the best of the Directors' knowledge, information and belief and upon having made all reasonable enquiries, each of the Purchaser and its ultimate beneficial owners is an Independent Third Party.

FINANCIAL EFFECT OF THE DISPOSAL

According to the Company's annual report for the financial year ended 31 December 2022, the Company has recognized foreign exchange gains of approximately RMB14,134,000 through its investment in the Target Company and according to the Company's annual report for the financial year ended 31 December 2023, the Company has recognized fair value loss of approximately RMB13,029,000 through its investment in the Target Company.

Since the interest in the Target Company held by the Company is less than 5%, the Target Company is not a subsidiary of the Company. The Company has always treated such investment as a one-line item under financial assets at FVTPL in the Company's consolidated statements of financial position and consolidated statement of profit or loss and other comprehensive income since the Company's investment of the interest in the Target Company in 2020. As such, the Company has not consolidated the financial information of the Target Company in the Company's consolidated financial statements.

As disclosed in the Previous Announcement, the fair value of the Company's investment in the Target Company (the "**Fair Value**") was approximately RMB174,571,000 as at 30 June 2023, which was disclosed in the interim report of the Company. As disclosed in the annual report of the Company for the financial year ended 31 December 2023, the Fair Value as at 31 December 2023 was approximately RMB154,121,000. As a result, it is expected that the Company will record a gross profit of approximately RMB2.5 million and a net profit of approximately RMB1.0 million from the Disposal (after deducting the estimated expenses (including professional fees) of approximately RMB1.5 million).

However, the amount of any profit or loss can only be determined at Completion and subject to audit by the Company's auditors, which is also subject to fluctuations in the exchange rate.

USE OF PROCEEDS

Based on the Consideration of approximately US\$21,559,218 (equivalent to approximately RMB156.6 million, if converted at the Announcement Exchange Rate), the net cash proceeds for the Disposal are estimated to be approximately RMB155.1 million. The Group intends to use the net cash proceeds as general working capital for the daily operations of the Group and expansion of the Group's business when there is suitable opportunity.

REASONS AND BENEFITS OF THE DISPOSAL

As disclosed in the Previous Announcement, it was expected positive business synergies could be generated by the Group's acquisition of the Sale Shares in 2020. However, due to changes in the management of the Target Group and a shift of the Target Group's business strategy, the expected positive business synergies have not materialized.

As a result, the Board considers that the Disposal provides a good opportunity to liquidate the Group's investment in the Target Company so that the Group can strengthen its cash position which can better equip itself to withstand any market downturn, as well as provision of a cash reserve for any future investment if any such opportunity arises. Also, as the Sale Shares represent less than 5% shareholding in the Target Company, the fact that the Other Vendors are also selling their shareholding in the Target Company to the Purchaser has provided a golden chance for the Group to dispose of the Sale Shares at a higher consideration than that the Group could fetch if Pacific Smart was the only shareholder of the Target Company who sold its shareholding to the Purchaser or any other person.

Having considered the above, the Board considers that the terms of the Formal Sale and Purchase Agreement and the Consideration are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As the highest applicable percentage ratio (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 75%, the Disposal constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is therefore subject to the notification, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

To the best of the knowledge, information and belief of the Board having made all reasonable enquiries, none of the Shareholders has a material interest in the Disposal and therefore, no Shareholder will be required to abstain from voting on the resolution(s) to be proposed at the EGM to approve the Formal Sale and Purchase Agreement and the transactions contemplated thereby.

A circular containing, amongst other things, (i) further details of the Disposal, including the Valuation Report; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the EGM to approve the Disposal, will be despatched to the Shareholders no later than 22 July 2024.

RESUMPTION OF TRADING

Trading in the Shares was halted with effect from 9:00 a.m. on Monday, 24 June 2024 at the request of the Company, pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 2 July 2024.

Completion of the Disposal is subject to the fulfilment of certain conditions precedent and therefore may or may not take place. Shareholders and potential investors of the Company should exercise caution when dealing in the shares of the Company.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the meanings as follows:

“1st Instalment”	the first instalment of US\$10,995,201 (equivalent to approximately RMB79,891,130, converted at the Announcement Exchange Rate) payable by the Purchaser to Pacific Smart, representing 51% of the Consideration
“2nd Instalment”	a second instalment of US\$10,564,017 (equivalent to approximately RMB76,758,148, converted at the Announcement Exchange Rate) payable by the Purchaser to Pacific Smart, representing the remaining 49% of the Consideration
“Announcement Exchange Rate”	the exchange rate of US\$1 to RMB7.266 for the sole purpose of disclosure in this announcement
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which no “black rainstorm warning” or a tropical cyclone warning signal no. 8 or above or “extreme conditions” is hoisted or remains hoisted or remains in effect in Hong Kong at 9:00 a.m. on that day and on which licensed banks are open in Hong Kong to the general public for business
“BVI”	the British Virgin Islands

“Chinese Accounting Standards”	the Accounting Standards for Business Enterprises, the Interpretation Announcement of the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance* (財政部發佈的企業會計準則及其應用指南、解釋及其他有關規定)
“Company”	Nanfang Communication Holdings Limited, 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 Disposal in accordance with the terms and conditions of the Formal Sale and Purchase Agreement
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to Pacific Smart for the Sale Shares
“Director(s)”	directors of the Company
“Disposal”	the proposed disposal of the Sale Shares by Pacific Smart to the Purchaser
“EGM”	an extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Framework Agreement, the Formal Sale and Purchase Agreement and the transactions contemplated thereby
“Employee Share Options”	the share options granted to the employees of the Target Company pursuant to the ESOP
“ESOP”	the Employee Share Option Scheme adopted by the Target Company, which holds 31,115,675 Employee Share Options of the Target Company which, if exercised, represent approximately 13.14% of the enlarged issued share capital of the Target Company

“ESOP Participants Representative”	Wang Hongyu (王宏宇), the representative of the holders of Employee Share Options
“Formal Sale and Purchase Agreement”	a formal sale and purchase agreement entered into between Pacific Smart and the Purchaser on 23 June 2024, in relation to, amongst others, the Disposal
“fully-diluted basis”	all the 31,115,675 options of the Target Company held by the ESOP Participants are assumed to be exercised in full so that the Target Company’s total number of issued shares is increased to 236,830,561 accordingly, but none of the said 31,115,675 options have been effectively exercised as at the date of this Announcement
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main SPA”	the sale and purchase agreement dated 23 June 2023 entered into between the Other Vendors, the Purchaser and the Target Company related to the sale and purchase of 115,518,410 shares (representing approximately 56.15% shareholding as at the date of this Announcement and approximately 48.78% shareholding on a fully-diluted basis) in the Target Company
“Other Vendors”	11 shareholders of the Target Company who will sell a total of 115,518,410 shares (representing approximately 56.15% shareholding as at the date of this Announcement and approximately 48.78% shareholding on a fully-diluted basis) in the Target Company to the Purchaser at the price of US\$2.6179 per share pursuant to the Main SPA

“Pacific Smart”	Pacific Smart Development Limited, a company incorporated with limited liability in the BVI and an indirect wholly-owned subsidiary of the Company, and the vendor in the Formal Sale and Purchase Agreement
“Parties”	parties to the Formal Sale and Purchase 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
“Purchaser”	Vantone Neo Development Group Co., Ltd. (北京萬通新發展集團股份有限公司), a company incorporated with limited liability in the PRC, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600246)
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 8,235,293 class A preferred shares (representing approximately 4.00% shareholding as at the date of this Announcement and approximately 3.48% shareholding on a fully-diluted basis) of the Target Company held by Pacific Smart, being all the class A preferred shares of the Target Company held by Pacific Smart as at the date of the Formal Sale and Purchase Agreement
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Source Photonics Holdings (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability
“Target Group”	the Target Company together with its subsidiaries
“US\$”	United States dollar(s), the lawful currency of the United States of America

“Valuation”	the valuation conducted by the Valuer for assessing the value of the Target Company as at 31 December 2023
“Valuation Exchange Rate”	the exchange rate of US\$1 to RMB7.0827 announced by China Foreign Exchange Trade System* (中國外匯交易中心) on 31 December 2023, being the benchmark date of the Valuation
“Valuation Report”	the report of Valuation issued on 23 June 2024 by the Valuer
“Valuer”	Pan-China Assets Appraisal Co., Ltd., an independent professional valuer engaged by the Purchaser
“%”	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.

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

Hong Kong, 28 June 2024

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. Chan Kai Wing and Mr. Liu Cheng Yi.