



Nanfang Communication Holdings Limited
南方通信控股有限公司

(Incorporated in Cayman Islands with Limited Liability)

Stock Code: 1617

INTERIM REPORT
2025

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Corporate Information

BOARD OF DIRECTORS

Executive Directors

Mr. Shi Ming (Chief executive officer)
Ms. Yu Rumin (Chairman)
Ms. Yu Ruping

Non-Executive Director

Mr. Yu Jinlai

Independent Non-Executive Directors

Mr. Wu Wing Kuen (passed away on 17 February 2025)
Mr. Chan Kai Wing
Mr. Liu Cheng Yi
Ms. Ju Hefeng (appointed on 1 August 2025)

COMPANY SECRETARY

Ms. Lo Moon Fong

AUTHORISED REPRESENTATIVES

Mr. Shi Ming
Ms. Lo Moon Fong

REGISTERED OFFICE

Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 902, 9/F, Capital Centre
151 Gloucester Road
Wan Chai, Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

1 Cencun Road, Luoyang Town
Wujin District, Changzhou City
Jiangsu Province, The People's Republic of China

AUDITOR

BDO Limited

PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited
The Hongkong and Shanghai Banking Corporation Limited

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

WEBSITE

www.jsnfgroup.com

STOCK CODE

1617

Financial Highlights

For the six months ended 30 June 2025 (the “**Reporting Period**”), the Group’s operating results were as follows:

- Total revenue decreased by approximately 27.7% to approximately RMB185.5 million (six months ended 30 June 2024: approximately RMB256.8 million).
- Gross profit decreased by approximately 0.8% to approximately RMB34.3 million (six months ended 30 June 2024: approximately RMB34.6 million).
- Gross profit margin increased from approximately 13.5% for the six months ended 30 June 2024 to approximately 18.5% for the Reporting Period.
- Profit and total comprehensive income was approximately RMB26.1 million (six months ended 30 June 2024: approximately RMB5.5 million).
- The Board did not recommend the payment of an interim dividend for the Reporting Period (six months ended 30 June 2024: nil).

Management Discussion and Analysis

BUSINESS REVIEW

As a leading telecommunication manufacturer in the People's Republic of China (the "PRC"), the Group recorded revenue of approximately RMB185.5 million for the Reporting Period (six months ended 30 June 2024: approximately RMB256.8 million), representing a decrease of approximately 27.7% as compared to the same period in 2024. The gross profit of the Group was approximately RMB34.3 million (six months ended 30 June 2024: approximately RMB34.6 million), representing a decrease of approximately 0.8% as compared to the same period in 2024. The Company recorded the profit and total comprehensive income of approximately RMB26.1 million (six months ended 30 June 2024: approximately RMB5.5 million). During the Reporting Period, the basic earnings per share was approximately RMB0.016 (six months ended 30 June 2024: approximately RMB0.003).

FINANCIAL REVIEW

Revenue

Revenue of the Group represents revenue derived from manufacturing and sales of optical fibre cables and optical distribution network devices as well as processing and sales of prepainted steel sheet. During the Reporting Period, the Group recorded a total revenue of approximately RMB185.5 million, representing a decrease of approximately 27.7% from approximately RMB256.8 million for the six months ended 30 June 2024.

For the Reporting Period, the Group continues to focus on its principal activities in the segment of manufacturing and sales of optical fibre cables and related devices in PRC as well as segment of processing and sales of prepainted steel sheets. The Directors consider that the consolidation of both segments as one reportable and operating segment shall better reflect the Group's updated business strategies and the development phases of various businesses. As such, no segment information is presented other than the entity-wide disclosures.

Cost of sales

For the Reporting Period, cost of sales of the Group was approximately RMB151.2 million (six months ended 30 June 2024: approximately RMB222.1 million), representing a decrease of approximately 31.9% as compared to the same period in 2024.

Gross profit and gross profit margin

For the Reporting Period, the Group's gross profit was approximately RMB34.3 million (six months ended 30 June 2024: approximately RMB34.6 million), representing a decrease of approximately 0.8% as compared to the same period in 2024. During the Reporting Period, the Group's gross profit margin was approximately 18.5% as compared to a gross profit margin of approximately 13.5% for the six months ended 30 June 2024. The decrease in the proportion of raw materials cost led to a decrease in the cost of sales and therefore boosted the Group's gross profit margin during the Reporting Period.

Other income, gains, expenses and losses, net

The net other income of approximately RMB9.5 million for the six months ended 30 June 2024 has been decreased to approximately RMB7.1 million for the Reporting Period. The decrease was mainly attributable to the decrease in the bank interest income received and government grants recognised during the Reporting Period.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Selling and distribution expenses

For the Reporting Period, the Group's selling and distribution expenses were approximately RMB7.9 million (six months ended 30 June 2024: approximately RMB11.1 million), representing a decrease of approximately 28.1% as compared to the same period in 2024. The decrease was mainly due to the drop in the total freight charges.

Administrative expenses

For the Reporting Period, the Group's administrative expenses were approximately RMB15.0 million (six months ended 30 June 2024: approximately RMB17.5 million), representing a decrease of approximately 13.9% as compared to the same period in 2024. The decrease was consistent with the Group's overall operations and a more stringent control on some business and marketing expenses during the Reporting Period.

Research costs

The Group's research costs were approximately RMB13.7 million for the Reporting Period (six months ended 30 June 2024: approximately RMB13.4 million), representing a slight increase of approximately 1.9% as compared to the same period in 2024.

Finance costs

During the Reporting Period, the Group's finance costs were approximately RMB4.3 million (six months ended 30 June 2024: approximately RMB2.2 million), representing an increase of approximately 97.2% as compared to the same period in 2024. The increase in finance costs was mainly due to an increase in the average bank loan and the full recognition of all interest expenses during the Reporting Period while partial interests were capitalised in the construction in progress for the six months ended 30 June 2024.

Share of profit of an associate

During the Reporting Period, the Group recorded a share of profit of an associate of approximately RMB5.7 million, representing an increase of approximately 9.5% from approximately RMB5.2 million for the six months ended 30 June 2024. The associate is mainly engaged in the manufacturing and sales of optical fibre.

Share of profit of a joint venture

During the Reporting Period, the Group recorded a share of profit of a joint venture of approximately RMB1.4 million, representing a decrease of approximately 16.6% from approximately RMB1.7 million for the six months ended 30 June 2024. The joint venture is engaged in the manufacturing and sales of optical fibre preforms.

Income tax credit/expense

During the Reporting Period, the Group recorded income tax credit of approximately RMB0.3 million (six months ended 30 June 2024: income tax expense of approximately RMB2.3 million), mainly represented by the recognition of deferred tax assets by the Group.

Management Discussion and Analysis

FINANCIAL REVIEW (CONTINUED)

Profit and total comprehensive income attributable to owners of the Company

As a result of the foregoing, the Group recorded the profit and total comprehensive income of approximately RMB26.1 million (six months ended 30 June 2024: approximately RMB5.5 million).

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES

During the Reporting Period, the Group's operational and capital requirements were financed principally through share capital, reserves, bank borrowings and an amount due to a director.

Cash and loan position

As at 30 June 2025, the Group had an aggregate of restricted bank deposits and balances, bank deposits with original maturity of more than three months, bank deposits, bank balances and cash of approximately RMB358.5 million (31 December 2024: approximately RMB405.2 million), representing a decrease of approximately 11.5% as compared to that as at 31 December 2024.

All bank borrowings are denominated in functional currency of the group entities. As at 30 June 2025, the Group had interest-bearing bank borrowings amounting to approximately RMB259.0 million (31 December 2024: approximately RMB360.3 million).

As at 30 June 2025, the Group's bank borrowings of approximately RMB259.0 million (31 December 2024: approximately RMB230.2 million) carry interest with variable interest rates ranging from 2.20% to 3.30% (31 December 2024: ranging from 2.15% to 3.65%) per annum.

As at 30 June 2025, the Group has no bank borrowings carrying interest with fixed interest rates per annum (31 December 2024: approximately RMB130.1 million carrying interest with fixed interest rates ranging from 2.65% to 3.00%).

The Group's banking borrowings of approximately RMB259.0 million are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the related loans would become payable on demand. The Group did not identify any difficulties in complying with the covenants. At 30 June 2025, none of the covenants relating to drawn down facilities had been breached (31 December 2024: nil).

Charges on the Group's assets

As at 30 June 2025, the Group pledged certain of its bank deposits with original maturity more than three months and restricted bank deposits totalling approximately RMB81.1 million (31 December 2024: approximately RMB173.6 million) to secure bills payable.

Gearing ratio

As at 30 June 2025, the gearing ratio of the Group, which was calculated by dividing the total liabilities by the total equity, was approximately 65.4% (31 December 2024: approximately 84.5%).

Management Discussion and Analysis

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (CONTINUED)

Currency risk

While the Group's operations were principally conducted in the PRC during the Reporting Period and it mainly recorded sales and incurred production costs and expenses in RMB, the Group has certain bank deposits and balances, advance from the ultimate holding company, amount due to a director and a bank borrowing denominated in foreign currencies other than RMB. The Group may use any contracts to hedge against its exposure to currency risk, as appropriate. The Directors have managed the foreign currency risk by closely monitoring the movement of the foreign currency rate.

Interest rate risk

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits and fixed rate bank borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on variable interest bearing financial instruments, mainly, restricted bank balances, bank balances and variable rate bank borrowings which carried at prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk.

Credit risk

As at 30 June 2025, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the condensed consolidated statement of financial position.

The Group's credit risk is primarily attributable to trade and bills receivables arising from contracts with customers and other receivables. In order to minimise the credit risk, the Directors have delegated a team of staff responsible for determining credit limits and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Besides, the management of the Group performs impairment assessment on individual debtor basis to estimate the amount of expected credit loss ("ECL") of trade, bills and other receivables based on internal credit ratings, ageing, collateral, repayment history and/or past due status of respective other receivables and adjusted for forward-looking information.

For bank deposits and balances, the management of the Group assessed that the Group's bank deposits with original maturity more than three months, restricted bank deposits and balances, bank deposits and bank balances are at low credit risk because they are placed with reputable banks with higher internal credit ratings with reference to either international or PRC credit-rating agencies, and ECL is insignificant.

As at 30 June 2025, the Group has concentration of credit risk because approximately 89.3% (31 December 2024: approximately 85.8%) of trade receivables were due from the Major PRC Telecommunications Network Operators with good repayment history and strong financial background.

Other than the above, the Group does not have significant concentration of credit risk.

Management Discussion and Analysis

LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (CONTINUED)

Liquidity risk

The Group's management monitors the Group's cash flow position on a regular basis to ensure the cash flows of the Group are closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available and issue of new ordinary shares.

Capital commitments

As at 30 June 2025, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB16.6 million (31 December 2024: approximately RMB20.1 million).

Employees and remuneration policies

As at 30 June 2025, the Group had approximately 310 employees (six months ended 30 June 2024: approximately 320). During the Reporting Period, the Group incurred staff costs of approximately RMB15.4 million (six months ended 30 June 2024: approximately RMB15.6 million). As required by applicable laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed periodically with reference to the prevailing market employment practices and legislation.

OUTLOOK

According to the latest data from the National Bureau of Statistics, the PRC's cumulative optical fibre cables output reached 125 million fkm in the first half of 2025, representing a year-on-year decline of approximately 2.9%. The rate of decline has narrowed significantly compared to previous periods. This contraction is primarily attributed to the reduced investments by Chinese domestic telecommunications operators in 5G networks and fiber-to-the-home (FTTH) during the period, leading to order shortage and short-term demand pressure in the optical fibre and optical fibre cable industry. Additionally, market research firm CRU forecasts that the PRC's total optical cables demand for 2025 will continue to experience a slight decline of approximately 2.2% year-on-year, settling at around 233 million fkm. Despite the persistent decline, the industry's downturn has clearly entered a convergence phase compared to the 18.2% cumulative drop in optical fibre cables output in 2024, with signs of recovery significantly strengthening.

In terms of Chinese domestic telecommunications operators, China Mobile and China Unicom have completed their annual centralised optical fibre cables procurement, while China Telecom initiated the centralised procurement for outdoor optical cables and drop cables at the beginning of the second half of the year. Chinese operators are accelerating their backbone networks upgrades: China Mobile achieved the first large-scale commercial deployment of an 800G all-optical backbone transmission network, while China Telecom announced plans to complete nationwide coverage of its 800G high-speed all-optical network within the year, and for China Unicom, they are also actively conducting 800G experimental network verification. CRU noted that the global demand for optical fibre and optical fibre cable will maintain robust growth from 2025 to 2029.

Management Discussion and Analysis

OUTLOOK (CONTINUED)

Despite temporary demand fluctuations, the outlook for the optical fibre industry in the second half of 2025 remains positive and optimistic, with a continued growth expected. The optical fibre industry development benefits from the ongoing deployment of domestic communication networks including 5G-A networks and ten-gigabit optical networks, the rapid development of new-generation information technologies such as East-to-West Computing Resource Transfer, cloud computing and artificial intelligence, together with the exploration of new businesses. These technological advancements and applications enhance the transmission capacity of communication networks while continuously driving new demand growth and product upgrades for optical fibre and optical fibre cable. For instance, 5G-A networks construction and the ten-gigabit optical fibre upgrades are fueling sustained market demand growth, resulting in steady increases in total length of optical fibre cable. Furthermore, the development of the optical fibre and optical fibre cable industry in the PRC is propelled by data centres, whose expanding scale and quantity drive higher demand for optical fibre networks. By 2026, demand for optical fibre and optical fibre cable in the PRC's data centres is projected to reach 150 million fkm, opening new market opportunities. Accelerating global digital transformation, continuously growing demand for optical fibre networks, and the in-depth promotion of the national strategy for building the PRC into a cyber powerhouse all provide vigorous momentum for industry's growth. Additionally, the development of the optical fibre and optical fibre cable industry has received strong policy support through national industrial policies. Multiple policies encouraging industry development and innovation of the optical fibre and optical fibre cable industry has been introduced, such as the "15th Five-Year Plan for National Informatisation", the "15th Five-Year Plan for Promoting Agricultural and Rural Modernisation" and the "15th Five-Year Development Plan for Digital Economy", outlining a clear and broad market prospect for the development of the optical fibre and optical fibre cable industry.

Looking forward to the second half of 2025, the optical fibre and optical fibre cable industry is poised for a stronger growth cycle, driven by continuous large-scale deployment of domestic information infrastructure, traffic explosion fueled by new-generation information technologies such as AI and cloud computing, steady growth in overseas markets, and robust national strategic policies support. The Group will continue to deepen our partnership with operators, strength our core market presence by closely aligning with operators' construction plans for 5G, gigabit optical networks, 800G/1.6T backbone networks, and Data Centre Interconnects (DCI), ensuring maintained and expanded market shares in operators' centralised procurement tenders. We will vigorously expand into non-operator and overseas markets by increasing investments in non-operator segments such as data centres, industrial internet, and enterprise private networks. We will actively enhance our research and development (R&D) focus by dedicating resources to highspeed transmission (e.g., ultra-low-loss large effective area optical fibre G.654.E, new type of optical fibre supporting 1.6T applications), high-density interconnect solutions for data centres, and green and low-carbon products to meet evolving market trends and customised customer needs, while constantly optimising our product portfolio and elevating technical barriers. Furthermore, we will intensify our monitoring and response capabilities for key raw materials costs and supply chains fluctuations, deepen lean production management, and improve operational efficiency to solidify the Group's competitive advantages and profitability, thereby delivering greater returns to shareholders.

Other Information

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: nil).

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2025, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

Interests in the shares and underlying shares of the Company

Name of Director	Nature of interest	Number of shares or underlying shares held ⁽¹⁾	Approximate % of shareholding
Ms. Yu Rumin ⁽²⁾	Founder of a discretionary trust ⁽²⁾	840,000,000 (L)	51.65
	Interest of spouse ⁽⁴⁾	56,184,000 (L)	3.46
	Beneficial owner	14,784,000 (L)	0.91
Mr. Yu Jinlai ⁽³⁾	Beneficiary of a discretionary trust ⁽³⁾	840,000,000 (L)	51.65
Ms. Yu Ruping ⁽³⁾	Beneficiary of a discretionary trust ⁽³⁾	840,000,000 (L)	51.65
	Beneficial owner	14,784,000 (L)	0.91
Mr. Shi Ming	Interests of spouse ⁽⁴⁾	854,784,000 (L)	52.56
	Beneficial owner	56,184,000 (L)	3.46

Notes:

⁽¹⁾ The letter "L" denotes the person's "long position" (as defined under Part XV of the SFO) in the relevant shares.

⁽²⁾ Pacific Mind Development Limited ("Pacific Mind") owned 840,000,000 Shares, representing 51.65% of the total number of the Shares. The issued share capital of 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 ("Trustee"). The Trustee is a trustee of a discretionary trust ("Family 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. Ms. Yu Rumin as founder of the Family Trust is taken to be interested in the 840,000,000 Shares held by Pacific Mind by virtue of Part XV of the SFO.

⁽³⁾ The Shares were held by Pacific Mind in the capacity of a legal beneficial owner. Since each of Mr. Yu Jinlai and Ms. Yu Ruping is a beneficiary of the Family Trust, each of Mr. Yu Jinlai and Ms. Yu Ruping was deemed to be interested in the shares held by Pacific Mind under the SFO.

⁽⁴⁾ Mr. Shi Ming and Ms. Yu Rumin are spouse of each other. Therefore, they are deemed under the SFO to be interested in the Shares held by each other.

Other Information

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

Save as disclosed above, as at 30 June 2025, none of the Directors or chief executive of the Company and their respective associates had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which had to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code; or (c) notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executive of the Company, as at 30 June 2025, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Interests in the shares and underlying shares of the Company

Name	Nature of interest	Number of shares or underlying shares held ⁽¹⁾	Approximate % of shareholding
Pacific Mind Development Limited ⁽²⁾	Beneficial owner	840,000,000 (L)	51.65
UBS TC (Jersey) Limited ⁽²⁾	Trustee	840,000,000 (L)	51.65
UBS Nominee Limited ⁽²⁾	Interested in controlled corporation	840,000,000 (L)	51.65
Mr. Yu Jianguang ⁽³⁾	Interest of spouse	854,784,000 (L)	52.56

Notes:

⁽¹⁾ The letter "L" denotes the person's "long position" (as defined under Part XV of the SFO) in the relevant shares.

⁽²⁾ Pacific Mind owned 840,000,000 Shares, representing 51.65% of the total number of the Shares. The issued share capital of 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 the Trustee in respect of the Family Trust. The Trustee is a trustee of the Family 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.

⁽³⁾ Mr. Yu Jianguang is the spouse of Ms. Yu Ruping and is therefore deemed under the SFO to be interested in the Shares held by Ms. Yu Ruping.

Save as disclosed above, as at 30 June 2025, there was no other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

Other Information

SHARE OPTION SCHEME

Pursuant to written resolutions passed on 24 November 2016, the Company adopted a share option scheme (the “**Share Option Scheme**”). The Share Option Scheme is valid for a period of 10 years commencing on 24 November 2016. At the annual general meeting (the “**AGM**”) of the Company held on 29 June 2022, the scheme mandate limit of the Share Option Scheme has been refreshed which was fully utilized as at 31 December 2022. As such, no share option was available for grant under the Share Option Scheme during the Reporting Period. As at 30 June 2025, there are no outstanding share options to be exercised for Shares.

Please refer to 2024 Annual Report of the Company and the prospectus of the Company dated 30 November 2016 for a summary of the key terms of the Share Option Scheme.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best of the knowledge of the Directors, the Company has maintained a sufficient public float during the Reporting Period and up to the date of this report.

CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION

The Company is committed to maintaining a high standard of corporate governance and believes that a good corporate governance can (i) enhance management effectiveness and efficiency; (ii) increase the management transparency of the Company; (iii) enhance risk management and internal control of the Company; and (iv) safeguard the interests of the shareholders of the Company and the Company as a whole.

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance practices. The Company has complied with the applicable code provisions as set out in the CG Code during the Reporting Period and up to the date of this report. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

As disclosed in announcements of the Company dated 20 February 2025 and 22 May 2025, following the passing away of the late Mr. Wu Wing Kuen, the number of independent non-executive Directors fell short of the minimum number required under Rule 3.10(1) of the Listing Rules during the Reporting Period.

Following the appointment of Ms. Ju Hefeng as an independent non-executive Director of the Company on 1 August 2025, the Board comprises three independent non-executive Directors, hence the Company has complied with the requirement under Rule 3.10(1) of the Listing Rules as at the date of this report.

CHANGE IN THE INFORMATION OF DIRECTORS

The change in director’s information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the 2024 Annual Report of the Company, is set out below:

Mr. Yu Jinlai, an existing non-executive Director of the Company, ceased to be the Chairman of the Board and the Chairman of the nomination committee of the Company (“**Nomination Committee**”) with effect from 1 July 2025 and ceased to be a member of audit committee of the Company (“**Audit Committee**”) with effect from 1 August 2025;

Other Information

CHANGE IN THE INFORMATION OF DIRECTORS (CONTINUED)

Ms. Yu Rumin, an existing executive Director of the Company, was appointed as the Chairman of the Board and the Chairman of the Nomination Committee with effect from 1 July 2025; and

Ms Ju Hefeng was appointed as an independent non-executive Director of the Company and a member of the Audit Committee with effect from 1 August 2025.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company, after making specific inquiries to all Directors, save for the late Mr. Wu Wing Kuen has not replied to the Company before his passing away, confirmed that all of them have complied with the required standards in the Model Code during the Reporting Period and up to the date of this report.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Chan Kai Wing, Mr. Liu Cheng Yi and Ms. Ju Hefeng. Mr. Chan Kai Wing is the chairman of the Audit Committee.

The Audit Committee has, together with the management of the Company, reviewed the Group's unaudited condensed consolidated financial statements for the six months ended 30 June 2025.

CONTINGENT LIABILITIES AND LITIGATION

The Group did not have any contingent liabilities and litigation as at the date of this report.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is dedicated to reducing its impacts on the environment from its factories and offices through mitigating the environmental pollutions and utilising resource efficiently. The Group strives to comply with relevant environmental laws and legislations, and continual improvement on its performance. For details, please refer to the Environmental, Social and Governance Report issued by the Company on 29 April 2025 (the "ESG Report").

KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group strives to maintain a good relationship with its employees, customers and suppliers. For more details on how it creates a motivated workplace for its employees, produce quality products to satisfy its customers' expectations and, establish long-term relationships with its suppliers, please refer to the ESG Report.

Other Information

COMPLIANCE WITH LAWS AND REGULATIONS

During the six months period ended 30 June 2025, save for the non-compliance with 3.10(1) of the Listing Rules, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

Up to the date of this report, following the newly appointed independent non-executive Director, the Company has complied with the requirement under Rule 3.10(1) of the Listing Rules.

SIGNIFICANT INVESTMENTS

As at 30 June 2025, the Group held the following significant investments:

1. Jiangsu Nanfang Communication Technology Company Limited* (江蘇南方通信科技有限公司) (“**Nanfang Communication**”), holds 49% of the shareholding in Jiangsu Nanfang Optic Electric Technology Company Limited* (江蘇南方光纖科技有限公司) (“**Nanfang Optic**”), and made a total investment of approximately RMB73.5 million up to 30 June 2025. Nanfang Optic is a company incorporated in the PRC which is principally engaged in the manufacturing and sales of optical fibre. No market fair value was available as at 30 June 2025 as this is a private company. The investment is intended to be held for long term. During the Reporting Period, the Group (i) shared an associated profit of approximately RMB5.7 million; and (ii) did not receive any dividend in respect of its investment in Nanfang Optic.
2. Nanfang Communication also holds 51% of the shareholding in Jiangsu Yingke Optical Material Technology Company Limited* (江蘇盈科光導科技有限公司) (“**Yingke Optical Material**”), and made a total investment of approximately RMB38.3 million up to 30 June 2025. Yingke Optical Material is principally engaged in the manufacturing and sales of optical fibre preforms. No market fair value was available as at 30 June 2025 as this is a private company. The investment is intended to be held for long term. During the Reporting Period, the Group (i) shared a profit of approximately RMB1.4 million; and (ii) did not receive any dividend in respect of its investment in Yingke Optical Material.
3. Pacific Smart Development Limited (“**Pacific Smart**”), an indirect wholly-owned subsidiary of the Company, owned 8,235,293 class A preferred shares of Source Photonics Holdings (Cayman) Limited (“**Source Photonics Group**” or the “**Target Company**”), representing approximately 4.00% shareholding. Source Photonics Group is a company incorporated in the Cayman Islands and is a leading global provider of advanced technology solutions for optical communications and data connectivity.

The fair value of the investment was approximately RMB179,500,000 as at 30 June 2025, representing approximately 12.9% of the total assets of the Group. During the Reporting Period, the Group had not received any dividend or recorded any investment gain/loss. The total investment contributed by the Group is approximately US\$23 million up to 30 June 2025.

As disclosed in the section headed “Disposal of the Sale Shares of the Target Company”, on 13 June 2025, a sales and purchase agreement (“**Sales and Purchase Agreement**”) was entered into for the disposal of 8,235,293 class A preferred shares of Source Photonics Group held by Pacific Smart. For details, please refer to the section headed “Disposal of the Sale Shares of the Target Company”, the Company’s announcements dated 23 June 2025, 15 July 2025 and 5 August 2025, and the Company’s circular dated 25 August 2025.

Save as aforesaid, the Company did not hold any other significant investments during the Reporting Period.

* For identification purpose only

Other Information

FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group will continue to invest in its development projects and acquire suitable plant and machinery, if it thinks fit. These investments will be funded by internal resources, external equity financing and/or borrowings. Save as disclosed in this interim report, the Group did not have any future plans for material investments as at the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period and up to the date of this report, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSALS OF THE SUBSIDIARIES, ASSOCIATED COMPANIES AND JOINT VENTURES

During the Reporting Period and up to the date of this report, the Group had no material acquisition or disposal of its subsidiaries and associated companies.

DISPOSAL OF THE SALES SHARES OF THE TARGET COMPANY

On 13 June 2025, Pacific Smart (an indirect wholly-owned subsidiary of the Company) as vendor and Multek Group (Hong Kong) Limited (超毅集團(香港)有限公司) (the "**Purchaser**") and Suzhou Dongshan Precision Manufacturing Co., Ltd. (蘇州東山精密製造股份有限公司) (the "**Dongshan Precision**") (the "**Purchaser Group**") as Purchaser Group entered into a Sale and Purchase Agreement, pursuant to which Pacific Smart conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 8,235,293 class A preferred shares (representing approximately 4.00% shareholding) (the "**Sales Shares**") of the Target Company at the consideration of US\$25,181,055.41 (equivalent to approximately RMB180.8 million) (the "**Disposal**").

The Disposal constituted a very substantial disposal of the Company under the Listing Rules and is subject to the approval of the shareholders of the Company at the extraordinary general meeting of the Company to be held on 15 September 2025.

For details of the Disposal, please refer to the Company's announcements dated 23 June 2025, 15 July 2025 and 5 August 2025, and the Company's circular dated 25 August 2025.

Save and except disclosed above, the Group has no material acquisition or disposal during the Reporting Period.

Other Information

IMPORTANT EVENTS AFTER REPORTING PERIOD

No important events affecting the Group has occurred since the end of the Reporting Period and up to the date of this report.

PUBLICATION OF THE INTERIM REPORT

This interim report is published on the websites of each of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (www.hkexnews.hk) and the Company (www.jsnfgroup.com).

For and on behalf of the Board

Nanfang Communication Holdings Limited

Yu Rumin

Chairman

Hong Kong, 28 August 2025

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2025

	Notes	Six months ended 30 June	
		2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Revenue			
Cost of sales	3, 4	185,520 (151,207)	256,750 (222,146)
Gross profit		34,313	34,604
Other income, gains, expenses and losses, net	5	7,107	9,474
Impairment losses on trade and other receivables under expected credit loss model, net of reversal		–	923
Changes in fair value of financial assets at fair value through profit or loss		18,222	–
Selling and distribution expenses		(7,948)	(11,061)
Administrative expenses		(15,033)	(17,457)
Research costs		(13,678)	(13,419)
Finance costs	6	(4,253)	(2,157)
Share of profit of an associate		5,674	5,180
Share of profit of a joint venture		1,418	1,700
Profit before income tax	8	25,822	7,787
Income tax credit/(expense)	7	314	(2,268)
Profit and total comprehensive income for the period		26,136	5,519
Earnings per share	9	RMB0.016	RMB0.003

Condensed Consolidated Statement of Financial Position

As at 30 June 2025

		As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
	Notes		
NON-CURRENT ASSETS			
Property, plant and equipment	11	213,766	208,236
Right-of-use assets		45,660	46,134
Interest in an associate		112,900	107,076
Interest in a joint venture		51,320	49,902
Financial assets at fair value through profit or loss ("FVTPL")	17	179,500	161,278
Restricted bank deposits and balances	13	2,785	4,000
Bank deposits with original maturity more than three months		6,300	20,000
Deferred tax assets		25,876	24,488
		638,107	621,114
CURRENT ASSETS			
Inventories		25,869	27,313
Trade and bills receivables	12	349,487	436,221
Prepayments, deposits and other receivables		33,244	43,484
Restricted bank deposits and balances	13	78,363	169,631
Bank deposits with original maturity more than three months		–	10,500
Bank deposits, bank balances and cash		271,072	201,084
		758,035	888,233
CURRENT LIABILITIES			
Trade and bills payables	14	237,049	278,330
Other payables		23,155	19,644
Contract liabilities		2,136	2,278
Bank borrowings	15	132,000	201,342
Tax payables		6,432	6,415
		400,772	508,009
NET CURRENT ASSETS		357,263	380,224
TOTAL ASSETS LESS CURRENT LIABILITIES		995,370	1,001,338

Condensed Consolidated Statement of Financial Position

As at 30 June 2025

		As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
	Notes		
CAPITAL AND RESERVES			
Share capital	16	1,418	1,418
Reserves		<u>842,702</u>	<u>816,566</u>
Equity attributable to owners of the Company		<u>844,120</u>	<u>817,984</u>
NON-CURRENT LIABILITIES			
Bank borrowings	15	127,000	159,000
Deferred tax liabilities		10,534	10,087
Deferred income – government grants		<u>13,716</u>	<u>14,267</u>
		<u>151,250</u>	<u>183,354</u>
		<u>995,370</u>	<u>1,001,338</u>

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2025

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 (Note (b))	Surplus reserve RMB'000 (Note (a))	Retained profits RMB'000	
For the six months ended 30 June 2025 (Unaudited)						
As at 1 January 2025 (Audited)	1,418	298,677	113,295	82,974	321,620	817,984
Profit and total comprehensive income for the period	–	–	–	–	26,136	26,136
Appropriation for the period	–	–	–	857	(857)	–
As at 30 June 2025 (Unaudited)	<u>1,418</u>	<u>298,677</u>	<u>113,295</u>	<u>83,831</u>	<u>346,899</u>	<u>844,120</u>
For the six months ended 30 June 2024 (Unaudited)						
As at 1 January 2024 (Audited)	1,418	298,677	113,295	70,441	294,217	778,048
Profit and total comprehensive income for the period	–	–	–	–	5,519	5,519
Appropriation for the period	–	–	–	561	(561)	–
As at 30 June 2024 (Unaudited)	<u>1,418</u>	<u>298,677</u>	<u>113,295</u>	<u>71,002</u>	<u>299,175</u>	<u>783,567</u>

Notes:

- (a) As stipulated by the relevant laws and regulations, the Company's subsidiaries in the PRC are required to maintain a statutory surplus reserve which is non-distributable. Appropriations to such reserve is made out of net profit after tax of the financial statements of each subsidiary while the amounts and allocation basis are decided by their boards of directors annually, until the reserve balance reaches 50% of their registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these subsidiaries, provided that such fund is maintained at a minimum of 25% of their registered capital.
- (b) Pursuant to deeds dated 29 September 2016, shareholders of the Company's ultimate holding company agreed to waive and release all repayment obligations in respect of the amounts of United States Dollars ("US\$") 500,000 and Hong Kong Dollars ("HK\$") 128,200,000 (equivalent to RMB113,295,000 in aggregate) advanced by them to Century Planet Limited, the Company's direct wholly-owned subsidiary, for paying up the registered capital of its indirect wholly-owned subsidiary, MacroSmart Investment Limited.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2025

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
NET CASH GENERATED FROM OPERATING ACTIVITIES	36,910	19,787
INVESTING ACTIVITIES		
Purchases of property, plant and equipment and right-of-use assets	(8,414)	(23,577)
Proceeds from disposal of property, plant and equipment	–	15
Changes in fair value on financial assets at fair value through profit or loss	18,080	–
Withdrawal of restricted bank deposits and balances	92,483	266
Withdrawal of bank deposits with original maturity more than three months	24,200	–
Interests received	11,396	1,427
Government grants received	–	116
NET CASH GENERATED FROM/(USED IN) INVESTING ACTIVITIES	137,745	(21,753)
FINANCING ACTIVITIES		
Proceeds from bank borrowings	–	180,000
Repayments of bank borrowings	(101,000)	(210,000)
Proceeds from a director	600	–
Payment of interest expense on bank borrowings	(4,253)	(3,706)
Payment of lease liabilities	–	(183)
NET CASH USED IN FINANCING ACTIVITIES	(104,653)	(33,889)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	70,002	(35,855)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	201,084	247,767
Effect of exchange rate changes on the balance of cash held in foreign currencies	(14)	–
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	271,072	211,912

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board ("**IASB**") as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities (the "**Listing Rules**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as appropriate.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards ("**IFRS Accounting Standards**"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2024.

Application of amendments to IFRS Accounting Standards

In the current interim period, the Group has applied the following amendments to IFRS Accounting Standards issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 21 and IFRS 1

Lack of Exchangeability

The application of the new and amendments to IFRS Accounting Standards in the current period has had no material impact on the Group's financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

The Group's revenue represents amounts received and receivable from the sales of optical fibre cables, optical distribution network devices and prepainted steel sheet, net of discounts, customers' returns and sales related tax that are recognised at a point in time.

Sales of the Group's optical fibre cables, optical distribution network devices and prepainted steel sheet are principally made to customers located in the PRC.

(ii) Performance obligations for contracts with customers

The Group sells optical fibre cables and optical distribution network devices to the four state-owned telecommunication network operators in the PRC (the "**Major PRC Telecommunications Network Operators**") and other companies according to the relevant sales agreements. Revenue is recognised when control of optical fibre cables and optical distribution network devices has been transferred, being when they have been delivered to the customers' specific locations based on the quantity of optical fibre cables and optical distribution network devices received by the customers. A receivable is recognised by the Group as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No provision for returns of optical fibre cables and optical distribution network devices is set out in the relevant sales agreements, unless they could be replaced if quality problems are found. The customers have neither rights of return nor rights to defer or avoid payment for the goods once the goods are received by the customers. The Group usually issues invoices in six months after completion of delivery of goods. According to the relevant sales agreements entered into between the Group and the Major PRC Telecommunications Network Operators, 70% – 90% of invoiced amounts is receivable upon issue of invoices. The Group allows credit period within six months to the Major PRC Telecommunication Network Operators for the receipt of the remaining balances. In addition, the Group granted credit periods of not more than one year after completion of delivery of goods to other customers with good repayment history. The Group does not obtain collateral from customers.

4. SEGMENT INFORMATION

Information reported to the chief executive officer of the Company (also general manager of the Group), being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue from the sales of optical fibre cables, optical distribution network devices and prepainted steel sheet.

During the period ended 30 June 2025, the Group continues to focus on its principal activities in the segment of manufacturing and sales of optical fibre cables and related devices in PRC as well as segment of processing and sales of prepainted steel sheets. The Directors consider that the consolidation of both segments as one reportable and operating segment shall better reflect the Group's updated business strategies and the development phases of various businesses. As such, no segment information is presented other than the entity-wide disclosures.

Geographical information

The Group's operation is principally in the PRC and all its non-current assets (other than financial assets at FVTPL and deferred tax assets) are situated in the PRC.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

5. OTHER INCOME, GAINS, EXPENSES AND LOSSES, NET

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Bank interest income	1,551	3,557
Foreign exchange (losses)/gains, net	(35)	801
Sales of electricity and gain on sales of other materials	2,759	607
Government grants recognised	2,187	4,714
(Loss)/gain on disposal of property, plant and equipment	(191)	15
Others	836	(220)
	<hr/>	<hr/>
Other income, gains, expenses and losses, net	7,107	9,474
	<hr/>	<hr/>

6. FINANCE COSTS

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Interest on borrowings	4,253	3,706
Interest on lease liabilities	–	1
	<hr/>	<hr/>
	4,253	3,707
Less: amounts capitalised as construction in progress	–	(1,550)
	<hr/>	<hr/>
Finance costs	4,253	2,157
	<hr/>	<hr/>

The capitalisation rate used to determine capitalised amounts of interests incurred for the six months ended 30 June 2025 was approximately 1.85%.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
PRC Enterprise Income Tax ("EIT")		
– Current tax	627	1,769
– Deferred tax	(941)	499
Income tax (credit)/expense	(314)	2,268

No provision for income taxes of the Company and its certain subsidiaries was made as they did not earn assessable income during the Reporting Period (six months ended 30 June 2024: nil).

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, Jiangsu Nanfang Communication Technology Company Limited ("Nanfang Communication") and Jiangsu Yingke Communication Technology Company Limited ("Yingke"), subsidiaries of the Company, are continuously recognised as "High and New Technology Enterprise" for a three-year-period starting in 2022. Accordingly, Nanfang Communication and Yingke are entitled to a reduced EIT rate of 15% for the Reporting Period (six months ended 30 June 2024: 15%).

8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Cost of inventories recognised as cost of sales	151,207	222,146
Profit before income tax has been arrived at after charging:		
Depreciation of property, plant and equipment	2,884	3,648
Less: Depreciation capitalised in inventories	(1,887)	(3,228)
Depreciation recognised as cost of sales	997	420
Depreciation of right-of-use assets	474	604
Staff costs (including the directors' remuneration):		
– Salaries, wages and allowances	13,879	13,889
– Retirement benefit scheme contributions	1,545	1,722
Total staff costs	15,424	15,611

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

9. EARNINGS PER SHARE

Earnings

Earnings for the purpose of basic earnings per share
(Profit for the Reporting Period attributable to owners of the Company)

Six months ended 30 June

2025	2024
RMB'000	RMB'000
(Unaudited)	(Unaudited)

26,136

5,519

Six months ended 30 June

2025	2024
'000	'000
(Unaudited)	(Unaudited)

Number of shares

Weighted average number of ordinary shares
for the purpose of basic earnings per share

1,626,240

1,626,240

No diluted earnings per share is presented as there was no potential ordinary shares outstanding for both periods.

10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: nil).

11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately RMB8.4 million (six months ended 30 June 2024: approximately RMB23.6 million).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

12. TRADE AND BILLS RECEIVABLES

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Trade receivables	356,756	441,339
Less: Allowance of credit losses	(9,423)	(9,423)
Trade receivables, net	347,333	431,916
Bills receivable (Note)	2,154	4,305
Trade and bills receivables	349,487	436,221

Note: At the end of the Reporting Period, the Group's bills receivable was issued by banks and customers with maturity within six months.

The following is an aged analysis of trade receivables, net of allowance for credit losses, presented based on invoice date:

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Less than 6 months	313,516	411,022
More than 6 months, but less than 1 year	21,902	9,197
More than 1 year	11,915	11,697
Trade receivables, net	347,333	431,916

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

12. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 30 June 2025, included in trade receivables, there is an amount due from an associate of approximately RMB266,000 (31 December 2024: approximately RMB176,000). The amount due from the associate is unsecured, interest-free and receivable according to the relevant sales agreement.

According to the relevant sales agreements entered into between the Group and the Major PRC Telecommunications Network Operators, 70% – 90% of invoiced amounts is receivable upon issue of invoices. The Group allows credit period within six months to the Major PRC Telecommunication Network Operators for the receipt of the remaining balances. In addition, the Group granted credit periods of not more than one year after completion of delivery of goods to other customers with good repayment history. The Group does not obtain collateral from customers.

13. RESTRICTED BANK DEPOSITS AND BALANCES

As at 31 December 2024 and 30 June 2025, the Group's restricted bank deposits and balances were pledged to banks for issuing bills payable.

14. TRADE AND BILLS PAYABLES

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Trade payables	104,805	156,438
Bills payable	132,244	121,892
Trade and bills payables	237,049	278,330

The average credit period on purchases of materials was within four months upon receipts of the materials and the relevant VAT invoices.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

14. TRADE AND BILLS PAYABLES (CONTINUED)

The following is an aged analysis of trade payables, presented based on the invoice date:

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Less than 6 months	98,459	145,225
More than 6 months, but less than 1 year	1,069	3,562
More than 1 year	5,277	7,651
Trade payables	104,805	156,438

As at 30 June 2025, included in trade payables, there is an amount due to an associate of approximately RMB33,427,000 (31 December 2024: approximately RMB30,277,000). The amount due to the associate is unsecured, interest-free and payable according to the relevant purchase agreement.

As at 31 December 2024 and 30 June 2025, the Group's bills payable were issued by banks with maturity within six months and were secured by the Group's restricted bank deposits and balances.

15. BANK BORROWINGS

All bank borrowings are denominated in functional currency of the group entities. As at 30 June 2025, the Group had interest-bearing bank borrowings amounting to approximately RMB259.0 million (31 December 2024: approximately RMB360.3 million).

As at 30 June 2025, the Group's bank borrowings of approximately RMB259.0 million (31 December 2024: approximately RMB230.2 million) carry interest with variable interest rates ranging from 2.20% to 3.30% (31 December 2024: ranging from 2.15% to 3.65%) per annum.

As at 30 June 2025, the Group has no bank borrowings carrying interest with fixed interest rates per annum (31 December 2024: approximately RMB130.1 million carrying interest with fixed interest rates ranging from 2.65% to 3.00%).

The Group's banking borrowings of approximately RMB259.0 million are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the related loans would become payable on demand. The Group did not identify any difficulties in complying with the covenants. At 30 June 2025, none of the covenants relating to drawn down facilities had been breached (31 December 2024: nil).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

16. SHARE CAPITAL

	As at 30 June 2025 HK\$'000 (Unaudited)	As at 31 December 2024 HK\$'000 (Audited)
Authorised		
8,000,000,000 ordinary shares of HK\$0.001 each	<u>8,000</u>	<u>8,000</u>
	HK\$'000 (Unaudited)	HK\$'000 (Audited)
Issued and fully paid		
1,626,240,000 (as at 31 December 2024: 1,626,240,000) ordinary shares of HK\$0.001 each	<u>1,626</u>	<u>1,626</u>
	RMB'000 (Unaudited)	RMB'000 (Audited)
Presented in the condensed consolidated statement of financial position	<u>1,418</u>	<u>1,418</u>

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and input used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

Fair value measurement

As at 30 June 2025 (Unaudited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial asset at FVTPL			
Unlisted equity investment	–	–	179,500
As at 31 December 2024 (Audited)			
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
Financial asset at FVTPL			
Unlisted equity investment	–	–	161,278

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	Six months ended 30 June 2025 RMB'000 (Unaudited)	Year ended 31 December 2024 RMB'000 (Audited)
Opening balance	161,278	154,121
Changes in fair value of financial assets at FVTPL	18,222	7,157
Closing Balance	179,500	161,278

There were no transfers between levels for the six months ended 30 June 2025.

Level 3 instrument comprises financial assets at FVTPL which are not traded in an active market and their 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 financial assets at FVTPL. Based on the valuation performed during the six months ended 30 June 2025, the fair value of the unlisted equity investment was RMB179,500,000.

The Company had entered into the Sale and Purchase Agreement with the Purchaser Group for the disposal of the unlisted equity investment. The transaction is not completed up to the date of this report.

For details of the Disposal, please refer to the section headed "Disposal of the Sales Shares of the Target Company".

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2025

18. CAPITAL COMMITMENTS

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	16,635	20,144

19. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with its related parties during the period:

	Six months ended 30 June 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Sales of other materials to an associate	509	832
Purchases of optical fibre and other materials from an associate	44,646	71,723
Purchases of raw materials from the holding company and fellow subsidiaries of the Group's joint venture partner	17,113	10,072

The above transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and are conducted in accordance with the terms of the relevant agreements.

Besides, the remuneration of the directors of the Company and other members of key management during the period were as follows:

	Six months ended 30 June 2025 RMB'000 (Unaudited)	2024 RMB'000 (Unaudited)
Salaries, wages and allowances	1,641	1,861
Retirement benefits scheme contributions	89	123
	1,730	1,984

20. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, there are no material subsequent events undertaken by the Group after 30 June 2025 till the date of this report.