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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)

DISCLOSEABLE AND CONNECTED TRANSACTION RELATING TO THE ACQUISITION OF MACHINERIES

The Board is pleased to announce that on 24 May 2018 (after trading hours), Hengtong Light Guide and Yingke Optical Material entered into the Machinery Procurement Agreement in relation to the acquisition of machineries for production of optical fibre preforms by Yingke Optical Material from Hengtong Light Guide.

LISTING RULES IMPLICATIONS

As disclosed in the announcement of the Company dated 4 April 2018, Yingke Optical Material as purchaser and Hengtong Light Guide as vendor entered into the Previous Machinery Procurement Agreement, pursuant to which Yingke Optical Material acquired certain machineries for production of optical fibre preforms from Hengtong Light Guide at the consideration of RMB61,550,000.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisition under the Machinery Procurement Agreement (when calculated individually or aggregated with that for the Previous Machinery Procurement Agreement) exceed(s) 5% but is/are less than 25%, the acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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

Therefore, the transaction contemplated under the Machinery Procurement Agreement will constitute a connected transaction under Chapter 14A of the Listing Rules.

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

Reference is made to the announcements of the Company dated 13 October 2017, 25 October 2017 and 4 April 2018 (the “**Announcements**”) in relation to, amongst others, the establishment of Yingke Optical Material and the cooperation between Yingke Optical Material and Hengtong Light Guide.

As mentioned in the Announcements, after the establishment of Yingke Optical Material (i.e. 24 October 2017), Yingke Optical Material would enter into several transactions with Hengtong Light Guide and Nanfang Optic, including, among others, the lease of factory premises, the acquisition of the requisite machineries and equipment and the supply of optical fibre preforms, and on 4 April 2018, Yingke Optical Material entered into several agreements with Hengtong Light Guide and Nanfang Optic to implement such cooperation envisaged.

In order to further build up the production lines for optical fibre preforms, the Board is pleased to announce that on 24 May 2018 (after trading hours), Hengtong Light Guide and Yingke Optical Material entered into the Machinery Procurement Agreement in relation to the acquisition of machineries for production of optical fibre preforms by Yingke Optical Material from Hengtong Light Guide.

MACHINERY PROCUREMENT AGREEMENT

The principal terms of the Machinery Procurement Agreement are summarised as follows:

Date:	24 May 2018
Parties:	(1) Hengtong Light Guide (as vendor); and (2) Yingke Optical Material (as purchaser)
Assets to be acquired:	Machineries used for the production of optical fibre preforms owned by Hengtong Light Guide.

Consideration: The consideration for the acquisition of the machineries will be RMB73,452,183.70 (including value-added tax) (equivalent to approximately HK\$90,329,000), which will be funded by internal resources of Yingke Optical Material.

The consideration was determined after arm's length negotiations between Hengtong Light Guide and Yingke Optical Material with reference to the appraisal value as at 31 March 2018 based on the valuation report of the machineries issued by an independent valuer using cost approach.

The consideration for the machineries shall be paid within 30 days after the delivery of the machineries and receipt of the invoice from Hengtong Light Guide by Yingke Optical Material.

Original acquisition costs and book value of the machineries The original acquisition cost of the machineries by Hengtong Light Guide was approximately RMB83,917,300 (equivalent to approximately HK\$103,199,000).

The net book value of the machineries was approximately RMB73,452,183.70 (equivalent to approximately HK\$90,329,000) as at 31 March 2018.

REASONS FOR AND BENEFITS OF THE ENTERING INTO OF THE MACHINERY PROCUREMENT AGREEMENT

Considering that (i) Yingke Optical Material has previously acquired certain machineries for production of optical fibre preforms from Hengtong Light Guide who is a reliable optical fibre preforms manufacturer and has a proven track record in the industry; and (ii) pursuant to the Machinery Procurement Agreement, the consideration for the acquisition of the machineries is determined with reference to the appraisal value as at 31 March 2018 based on the valuation report issued by an independent valuer using cost approach, which represents the net book value of the machineries as at 31 March 2018, the Directors consider that it would be beneficial to the Group for Yingke Optical Material to acquire the additional machineries necessary for building up the production lines of optical fibre preforms from Hengtong Light Guide.

Based on the above, the Directors (including the independent non-executive Directors) are of the view that the terms of the Machinery Procurement Agreement and the transactions contemplated thereunder, although not in the ordinary and usual course of business of the Group, are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP

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

INFORMATION ON YINGKE OPTICAL MATERIAL

Yingke Optical Material is principally engaged in the manufacture of optical fibre preforms. As at the date of this announcement, Yingke Optical Material is owned as to 51% by the Group and as to 49% by Hengtong Light Guide and is regarded as a subsidiary of the Company for the purpose of the Listing Rules.

INFORMATION ON HENGTONG LIGHT GUIDE

Hengtong Light Guide is a company established in the PRC and is a wholly-owned subsidiary of Jiangsu Hengtong. The principal scope of business of Hengtong Light Guide consists of the research and development, manufacture and sales of optical fibre preforms, optical fibres, fibre optic cables and optical devices.

LISTING RULES IMPLICATIONS

As disclosed in the announcement of the Company dated 4 April 2018, Yingke Optical Material as purchaser and Hengtong Light Guide as vendor entered into the Previous Machinery Procurement Agreement, pursuant to which Yingke Optical Material acquired certain machineries for production of optical fibre preforms from Hengtong Light Guide at the consideration of RMB61,550,000.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the acquisition under the Machinery Procurement Agreement (when calculated individually or aggregated with those for the Previous Machinery Procurement Agreement) exceed(s) 5% but is/are less than 25%, the acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

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

Therefore, the transaction contemplated under the Machinery Procurement Agreement will constitute a connected transaction under Chapter 14A of the Listing Rules.

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

APPROVAL OF THE BOARD

The Board has approved the transaction contemplated under the Machinery Procurement Agreement.

None of the Directors had material interests in the transaction contemplated under the Machinery Procurement Agreement. Therefore, no Director is required to abstain from voting on the resolutions of the Board approving the said agreements.

DEFINITIONS

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

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Company”	Nanfang Communication Holdings Limited (南方通信控股有限公司), a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1617)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hengtong Light Guide”	Jiangsu Hengtong Light Guide New Materials Company Limited* (江蘇亨通光導新材料有限公司), a company established in the PRC and a wholly-owned subsidiary of Jiangsu Hengtong
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Jiangsu Hengtong”	Jiangsu Hengtong Optic-Electric Company Limited* (江蘇亨通光電股份有限公司), a company established in the PRC and the A shares of which are listed on Shanghai Stock Exchange.
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Machinery Procurement Agreement”	the machinery procurement agreement dated 24 May 2018 entered into between Yingke Optical Material as purchaser and Hengtong Light Guide as vendor in relation to the acquisition of the machineries for production of optical fiber preforms by Yingke Optical Material from Hengtong Light Guide
“Nanfang Communication”	Jiangsu Nanfang Communication Technology Company Limited* (江蘇南方通信科技有限公司), a company established in the PRC and an indirect wholly-owned subsidiary of the Company
“Nanfang Optic”	Jiangsu Nanfang Optic Electric Technology Company Limited* (江蘇南方光纖科技有限公司), a company established in the PRC and held as to 49% by Nanfang Communication, 47% by Jiangsu Hengtong and 4% by Suzhou Saitong Advanced Materials Company Limited* (蘇州賽通新材料有限公司), which is an Independent Third Party as at the date of this announcement
“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

“Previous Machinery Procurement Agreement”	the machinery procurement agreement dated 4 April 2018 entered into between Yingke Optical Material as purchaser and Hengtong Light Guide as vendor in relation to the acquisition of the machineries for production of optical fiber preforms by Yingke Optical Material from Hengtong Light Guide
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	holder(s) of share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Yingke Optical Material”	Jiangsu Yingke Optical Material Technology Company Limited* (江蘇盈科光導科技有限公司), a company established in the PRC and held as to 51% by Nanfang Communication and 49% by Hengtong Light Guide
“%”	per cent

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

Unless stated otherwise, in this announcement, amounts denominated in RMB have been translated into HK\$ at the exchange rate of RMB0.81316 to HK\$1.00, being the exchange rate of RMB against HK\$ as announced by The People’s Bank of China on the date of this announcement. No representation is made that the HK\$ amounts could have been or could be converted into RMB at such rate or any other rate or at all. Certain amounts and percentage figures in this announcement have been subject to rounding adjustments.

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

Hong Kong, 24 May 2018

As at the date of this announcement, the executive Directors are Mr. Shi Ming (chief executive officer), Ms. Yu Rumin and Ms. Yu Ruping; the non-executive Director is Mr. Yu Jinlai (chairman); and the independent non-executive Directors are Mr. Wu Wing Kuen, Mr. Lam Chi Keung and Mr. Chan Kai Wing.