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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)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

HIGHLIGHTS

For the year ended 31 December 2024, the Group's operating results were as follows:

- Total revenue increased by approximately 3.0% to approximately RMB538.1 million (2023: approximately RMB522.3 million)
- Gross profit increased by approximately 39.3% to approximately RMB98.5 million (2023: approximately RMB70.7 million)
- Gross profit margin increased by approximately 4.8 percentage point to approximately 18.3% (2023: approximately 13.5%)
- Profit and total comprehensive income for the year attributable to owners of the Company amounted to approximately RMB39.9 million (2023: approximately RMB5.2 million)
- The Board did not recommend the payment of a final dividend for the year ended 31 December 2024 (2023: nil)

The board (the "**Board**") of directors (the "**Directors**") of Nanfang Communication Holdings Limited 南方通信控股有限公司 (the "**Company**") is pleased to announce the following audited consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2024 (the "**Reporting Period**") together with the comparative figures for the year ended 31 December 2023.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2024

		Year ended 31 December	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
Revenue	*3*	**538,097**	522,261
Cost of sales		**(439,624)**	(451,588)
Gross profit		**98,473**	70,673
Other income, gains, expenses and losses, net	*5*	**19,481**	17,018
Impairment losses on trade and other receivables under expected credit loss model, net of reversal		**(1,372)**	(2,451)
Changes in fair value of financial assets at fair value through profit or loss		**7,157**	(13,029)
Selling and distribution expenses		**(18,313)**	(19,491)
Administrative expenses		**(34,694)**	(35,323)
Research costs		**(33,191)**	(33,884)
Finance costs	*6*	**(6,002)**	(9,286)
Share of profit of an associate		**10,271**	10,854
Share of profit of a joint venture		**2,146**	5,583
Profit/(loss) before income tax	*8*	**43,956**	(9,336)
Income tax (expense)/credit	*7*	**(4,020)**	14,534
Profit and total comprehensive income for the year		**39,936**	5,198
Earnings per share	*9*	**RMB0.025**	RMB0.003

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2024

		As at 31 December	
		2024	2023
	Notes	***RMB'000***	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**208,236**	150,488
Right-of-use assets		**46,134**	47,380
Interest in an associate		**107,076**	97,145
Interest in a joint venture		**49,902**	47,756
Financial assets at fair value through profit or loss		**161,278**	154,121
Restricted bank deposits and balances	*11*	**4,000**	108,122
Bank deposits with original maturity more than three months	*11*	**20,000**	10,500
Deferred tax assets		**24,488**	31,013
		621,114	646,525
CURRENT ASSETS			
Inventories		**27,313**	32,882
Trade and bills receivable	*10*	**436,221**	342,535
Prepayments, deposits and other receivables		**43,484**	84,513
Restricted bank deposits and balances	*11*	**169,631**	65,672
Bank deposits with original maturity more than three months	*11*	**10,500**	–
Bank deposits, bank balances and cash	*11*	**201,084**	247,767
		888,233	773,369

	Notes	As at 31 December 2024 RMB'000	2023 RMB'000
CURRENT LIABILITIES			
Trade and bills payable	*12*	**278,330**	259,318
Other payables		**19,644**	34,014
Contract liabilities		**2,278**	3,619
Lease liabilities		**–**	212
Bank borrowings	*13*	**201,342**	230,000
Tax payables		**6,415**	10,880
		508,009	538,043
NET CURRENT ASSETS		**380,224**	235,326
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,001,338**	881,851
CAPITAL AND RESERVES			
Share capital	*14*	**1,418**	1,418
Reserves		**816,566**	776,630
Equity attributable to owners of the Company		**817,984**	778,048
NON-CURRENT LIABILITIES			
Bank borrowings	*13*	**159,000**	80,000
Deferred tax liabilities		**10,087**	9,070
Deferred income – government grants		**14,267**	14,733
		183,354	103,803
		1,001,338	881,851

1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 10 May 2016. The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's principal place of business is 1 Cencun Road, Luoyang Town, Wujin District, Changzhou City, Jiangsu Province, the People's Republic of China (the "**PRC**"). The Company is an investment holding company and, through its operating subsidiaries, is principally engaged in the manufacturing and sales of optical fibre cables and optical distribution network devices, as well as processing and sales of prepainted steel sheet.

The Company's immediate and ultimate holding company is Pacific Mind Development Limited, a company incorporated in the British Virgin Islands.

The consolidated financial statements of the Group are presented in Renminbi ("**RMB**"). In the opinion of the directors of the Company, the functional currency of companies comprising the Group is RMB.

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS ACCOUNTING STANDARDS")

Amendments to IFRS Accounting Standards that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRS Accounting Standards issued by the International Accounting Standards Board, for the first time, which are mandatorily effective for the financial year beginning on or after 1 January 2024 for the preparation of the Group's consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7 and IFRS 7	Supplier Finance Arrangements

The application of the above amended to IFRS Accounting Standards in the current year 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 consolidated financial statements.

New and amendments to IFRS Accounting Standards in issue but not yet effective

The following new and amended IFRS Accounting Standards, potentially relevant to the Group's financial statements, have been issued, but are not yet effective and have not been early adopted by the Company. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IAS 21	Lack of Exchangeability[1]
Amendments to IFRS 9 and IFRS 7	Classification and Measurement of Financial Instruments[2]
Amendments to IFRS 9 and IFRS 7	Contracts Referencing Nature-dependent Electricity[2]
IFRS 18	Presentation and Disclosure in Financial Statements[3]
IFRS 19	Subsidiaries without Public Accountability: Disclosures[3]

[1] Effective for annual periods beginning on or after 1 January 2025.
[2] Effective for annual periods beginning on or after 1 January 2026.
[3] Effective for annual periods beginning on or after 1 January 2027.

The Group is currently assessing the effect of these new accounting standards and amendments.

IFRS 18 Presentation and Disclosure in Financial Statements, which sets out requirements on presentation and disclosures in financial statements, will replace IAS 1 Presentation of Financial Statements. This new IFRS Accounting Standard, while carrying forward many of the requirements in IAS 1, introduces new requirements to present specified categories and defined subtotals in the statement of profit or loss; provide disclosures on management-defined performance measures in the notes to the financial statements and improve aggregation and disaggregation of information to be disclosed in the financial statements. In addition, some IAS 1 paragraphs have been moved to IAS 8 and IFRS 7. Minor amendments to IAS 7 Statement of Cash Flows and IAS 33 Earnings per Share are also made.

IFRS 18, and amendments to other standards, will be effective for annual periods beginning on or after 1 January 2027, with early application permitted. The application of the new standard is expected to affect the presentation of the statement of profit or loss and disclosures in the future financial statements. The Group is in the process of assessing the detailed impact of IFRS 18 on the Group's consolidated financial statements.

3. REVENUE

(i) Disaggregation of revenue from contracts with customers

The Group's revenue represents amounts received and receivable from the sale of optical fibre cables and 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 as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Optical fibre cables	**486,620**	463,206
Optical distribution network devices	**31,724**	14,924
Prepainted steel sheet	**19,753**	44,131
	538,097	522,261

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.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

All performance obligations in relation to sale of optical fibre cables and optical distribution network devices are for periods of one year or less. As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

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 year ended 31 December 2024, 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.

Major customers

Revenue from customers of the corresponding years contributing over 10% of total revenue of the Group are as follows:

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Customer A*	**339,619**	329,263
Customer B*	**146,899**	110,532

* Revenue from sales of optical fibre cables.

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

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Bank interest income	**6,616**	6,595
Foreign exchange losses, net	**(742)**	(707)
Sale of electricity and gain on sales of other materials	**7,091**	6,855
Government grants recognised *(Note)*	**7,875**	4,305
Loss on disposal of property, plant and equipment	**(289)**	(15)
Others	**(1,070)**	(15)
Other income, gains, expenses and losses, net	**19,481**	17,018

Note: The government grants recognised included the release of deferred income of approximately RMB466,000 (2023: approximately RMB466,000) during the year ended 31 December 2024.

At 31 December 2024 and 2023, there were no unfulfilled conditions or other contingencies attaching to the government grant that had been recognised by the Group.

6. FINANCE COSTS

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Interest on borrowings	**10,067**	10,519
Interest on joint venture	**–**	388
Interest on lease liabilities	**1**	11
	10,068	10,918
Less: amounts capitalised as construction in progress	**(4,066)**	(1,632)
Finance costs, net	**6,002**	9,286

The capitalisation rate used to determine capitalised amounts of interests incurred in 2024 was approximately 3.73% (2023: approximately 2.04%).

7. INCOME TAX (EXPENSE)/CREDIT

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
PRC Enterprise Income Tax ("**EIT**")	**8,262**	11,193
Deferred tax	**(7,542)**	3,074
(Over)/under provision in respect of prior year, net	**(4,740)**	267
Income tax (expense)/credit	**(4,020)**	14,534

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 year (2023: 15%).

8. PROFIT/(LOSS) BEFORE INCOME TAX

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Cost of inventories recognised as cost of sales	**439,624**	451,588
Profit/(loss) before income tax has been arrived at after charging:		
Depreciation of property, plant and equipment	**6,553**	10,781
Less: Depreciation capitalised in inventories	**(4,398)**	(8,385)
Depreciation recognised as cost of sales	**2,155**	2,396
Depreciation of right-of-use assets	**1,246**	1,393
Auditor's remuneration	**1,080**	700
Staff costs:		
– Salaries, wages, allowances and discretionary bonuses	**30,313**	31,403
– Retirement benefit scheme contributions	**1,991**	2,193
Total staff costs	**32,304**	33,596

9. EARNINGS PER SHARE

	Year ended 31 December	
	2024	2023
	RMB'000	*RMB'000*
Profit		
Profit for the purpose of basic earnings per share (Profit for the year attributable to owners of the Company)	**39,936**	5,198

	Year ended 31 December	
	2024	2023
	'000	*'000*
Number of shares		
Weighted average number of ordinary shares for the purpose of basic loss per share	**1,626,240**	1,626,240

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

10. TRADE AND BILLS RECEIVABLE

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Trade receivables	**441,339**	348,616
Less: Allowance of credit losses	**(9,423)**	(8,996)
Trade receivables, net	**431,916**	339,620
Bills receivables *(Note)*	**4,305**	2,915
Trade and bills receivable	**436,221**	342,535

Note: At 31 December 2024, the Group's bills receivables were issued by banks and customers with maturity within six months.

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Less than 6 months	**411,022**	305,040
More than 6 months, but less than 1 year	**9,197**	27,528
More than 1 year	**11,697**	7,052
Trade receivables, net	**431,916**	339,620

For the year ended 31 December 2024, approximately 85.8% (2023: approximately 89.3%) of the Group's sales of optical fibre cables, optical distribution network devices and other materials were made to the Major PRC Telecommunications Network Operators and the remainder was made to other third parties. 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 customers with good repayment history. The Group does not obtain collateral from customers.

11. BANK DEPOSITS WITH ORIGINAL MATURITY MORE THAN THREE MONTHS, RESTRICTED BANK DEPOSITS AND BALANCES, BANK DEPOSITS, BANK BALANCES AND CASH

Bank deposits with original maturity more than three months, restricted bank deposits and balances, bank deposits and bank balances carry interest at rates ranging from 0.001% to 3.55% per annum (2023: from 0.20% to 3.55% per annum) at the end of the Reporting Period.

At 31 December 2024, the Group pledged certain of its restricted bank deposits and balances totalling approximately RMB173,631,000 (2023: approximately RMB173,794,000) to secure bills payable.

12. TRADE AND BILLS PAYABLE

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Trade payables	**156,438**	132,413
Bills payable	**121,892**	126,905
Trade and bills payable	**278,330**	259,318

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

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

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Less than 6 months	**145,225**	124,367
More than 6 months, but less than 1 year	**3,562**	742
More than 1 year	**7,651**	7,304
Trade payables	**156,438**	132,413

Included in trade payables, there is an amount due to an associate of approximately RMB30,277,000 (2023: approximately RMB44,391,000) at 31 December 2024. The amount due to the associate is unsecured, interest-free and payable according to the relevant purchase agreements.

At the end of the Reporting Period, the Group's bills payable were issued by banks with maturity within six months and were secured by the Group's certain restricted bank deposits.

13. BANK BORROWINGS

	As at 31 December	
	2024	2023
	RMB'000	*RMB'000*
Unsecured and guaranteed bank borrowings	**260,250**	130,000
Unsecured and unguaranteed bank borrowings	**100,092**	180,000
Bank borrowings	**360,342**	310,000

14. SHARE CAPITAL

	Number of shares	**Share capital**
	'000	*HK$'000*
Ordinary share of HK$0.001 each		
Authorised:		
At 1 January 2023, 31 December 2023 and 31 December 2024	8,000,000	8,000
Issued and fully paid:		
At 1 January 2023, 31 December 2023 and 31 December 2024	**1,626,240**	**1,626**

Presented in the consolidated financial statements as

	RMB'000
At 1 January 2023, 31 December 2023 and 31 December 2024	**1,418**

15. DIVIDENDS

The directors of the Company have resolved not to declare a final dividend for the year ended 31 December 2024 (2023: nil).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a leading telecommunication manufacturer in the PRC. For the year ended 31 December 2024, the Group recorded an increase of total revenue by approximately 3.0% to approximately RMB538.1 million (2023: approximately RMB522.3 million). The gross profit of the Group was approximately RMB98.5 million (2023: approximately RMB70.7 million), representing an increment of approximately 39.3%. The Company reported a profit and total comprehensive income for the year attributable to owners of the Company of approximately RMB39.9 million (2023: approximately RMB5.2 million). The Company's earnings per share was approximately RMB0.025 (2023: approximately RMB0.003).

SCOPE OF WORK OF BDO LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2024 as set out in this preliminary announcement have been agreed by the Group's auditor, BDO Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by BDO Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by BDO Limited on this preliminary announcement.

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 year ended 31 December 2024, the Group's total revenue was approximately RMB538.1 million, representing an increase of approximately 3.0% from approximately RMB522.3 million for the year ended 31 December 2023.

During the year ended 31 December 2024, 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 the 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 development phases of various businesses. As such, no segment information is presented other than the entity-wide disclosures.

Cost of sales

For the year ended 31 December 2024, the cost of sales of the Group amounted to approximately RMB439.6 million, representing a decrease of approximately 2.6% from approximately RMB451.6 million for the year ended 31 December 2023.

Gross profit and gross profit margin

Gross profit of the Group increased by approximately 39.3% to approximately RMB98.5 million for the year ended 31 December 2024 from approximately RMB70.7 million for the same period in 2023. During the Reporting Period, the Group's gross profit margin was approximately 18.3% as compared to a gross profit margin of approximately 13.5% for the year ended 31 December 2023. While the unit selling price remained fairly stable, the Group's gross profit and gross profit margin were boosted in the Reporting Period owing to a significant drop in the cost of raw materials (including non-ferrous metals and some other chemical feedstocks).

Other income, gains, expenses and losses, net

The Group recorded a net gain of approximately RMB19.5 million for the year ended 31 December 2024 as compared to approximately RMB17.0 million for the same period in 2023. The increase was mainly attributable to more government grants were recognised during the Reporting Period.

Selling and distribution expenses

The Group incurred selling and distribution expenses of approximately RMB18.3 million for the year ended 31 December 2024 which has dropped by approximately 6.0% compared to approximately RMB19.5 million for the same period in 2023. The decrease was mainly due to the drop in the total freight charges.

Administrative expenses

The Group's administrative expenses was slightly decreased by approximately 1.8% to approximately RMB34.7 million for the year ended 31 December 2024 from approximately RMB35.3 million for the year ended 31 December 2023.

Research costs

The Group's research costs was slightly dropped by approximately 2.0% to approximately RMB33.2 million for the year ended 31 December 2024 from approximately RMB33.9 million for the year ended 31 December 2023.

Finance costs

During the year ended 31 December 2024, the Group's finance costs decreased by approximately 35.4% to approximately RMB6.0 million from approximately RMB9.3 million for the year ended 31 December 2023. This was mainly due to the decrease in overall bank loan interest rates and the allocation of part of the interest to construction in progress during the Reporting Period. As a result, the finance costs decreased as compared with the same period in 2023.

Share of profit of an associate

During the year ended 31 December 2024, the Group recorded a share of profit of an associate of approximately RMB10.3 million, representing a decrease of approximately 5.4% from approximately RMB10.9 million for the year ended 31 December 2023. The associate is engaged in the manufacturing and sales of optical fibre.

Share of profit of a joint venture

During the year ended 31 December 2024, the Group recorded a share of profit of a joint venture of approximately RMB2.1 million, representing a decrease of approximately 61.6% from approximately RMB5.6 million for the year ended 31 December 2023. The joint venture is engaged in the manufacturing and sale of optical fibre preforms.

Income tax expense/credit

During the year ended 31 December 2024, the Group incurred an income tax expense of approximately RMB4.0 million as compared to an income tax credit of approximately RMB14.5 million recorded for the year ended 31 December 2023. The increase in the income tax expense aligned with the increase in overall profitability of the Group.

Profit and total comprehensive income attributable to owners of the Company

As a result of the foregoing, the Company recorded a profit and total comprehensive income attributable to owners of approximately RMB39.9 million for the year ended 31 December 2024 as compared to approximately RMB5.2 million for the year ended 31 December 2023.

Liquidity, financial and capital resources

During the year ended 31 December 2024, 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

At 31 December 2024, 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 RMB405.2 million (2023: approximately RMB432.1 million), representing a decrease of approximately 6.2% as compared to that as at 31 December 2023.

All bank borrowings are denominated in the functional currency of the group entities. At 31 December 2024, the Group had interest-bearing bank borrowings amounting to approximately RMB360.3 million (2023: approximately RMB310.0 million).

At 31 December 2024, the Group's bank borrowings of approximately RMB230.2 million (2023: approximately RMB100.0 million) carry interest with variable interest rates ranging from 2.15% to 3.65% (2023: ranging from 3.29% to 4.00%) per annum. All variable-rate bank borrowings are unsecured but guaranteed by group companies (2023: approximately RMB20.0 million). At 31 December 2024, none of the bank borrowings was unsecured and unguaranteed (2023: approximately RMB80.0 million).

At 31 December 2024, the Group's bank borrowings of approximately RMB130.1 million (2023: approximately RMB210.0 million) carry interest with fixed interest rates ranging from 2.65% to 3.00% (2023: ranging from 3.05% to 3.24%) per annum. Fixed-rate bank borrowings of approximately RMB30.0 million is unsecured but guaranteed by group companies (2023: approximately RMB110.0 million) while an amount of approximately RMB100.1 million was unsecured and unguaranteed (2023: approximately RMB100.0 million).

Charges on the Group's assets

At 31 December 2024, the Group pledged certain of its restricted bank deposits and balances totalling approximately RMB173.6 million (2023: approximately RMB173.8 million) to secure bills payable.

Gearing ratio

At 31 December 2024, the gearing ratio of the Group, which was calculated by dividing the total liabilities by the total equity, was approximately 84.5% (2023: approximately 82.5%).

Currency risk

While the Group's operations were principally conducted in the PRC during the year ended 31 December 2024 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, lease liabilities 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 31 December 2024, the Group's maximum exposure to credit risk caused by the failure of the counterparties in discharging an obligation which will lead to a financial loss to the Group is arising from the carrying amounts of the respective recognised financial assets as stated in the 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.

The Group has concentration of credit risk because approximately 85.8% (2023: approximately 89.3%) of trade receivables at 31 December 2024 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.

Liquidity risk

The Group's management monitors the Group's cash flow positions 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

At 31 December 2024, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB20.1 million (2023: approximately RMB67.4 million).

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 announcement, the Group does not have any future plans for material investments as at the date of this announcement.

Employees, remuneration policies and Share Option Scheme

At 31 December 2024, the Group had approximately 300 employees (2023: approximately 310). For the Reporting Period, the Group incurred staff costs of approximately RMB32.3 million (2023: approximately RMB33.6 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 then prevailing market employment practices and legislation.

During the Reporting Period, no share options and/or awards have been cancelled or lapsed. As the scheme mandate limit to grant 147,840,000 shares under the share option scheme was fully utilised in 2022 and the scheme mandate limit was not refreshed, no share options and/or awards may be granted during the Reporting Period. Hence, no share options and/or awards have been granted pursuant to the share option scheme during the Reporting Period.

At 31 December 2024, there is no outstanding share options to be exercised for shares.

No equity-settled share-based payment expenses were recognised during the Reporting Period (2023: nil).

DISPOSAL OF THE SALE SHARES OF THE TARGET COMPANY

On 23 June 2024, Pacific Smart Development Limited ("**Pacific Smart**") (an indirect wholly-owned subsidiary of the Company) as vendor and Vantone Neo Development Group Co., Ltd. (the "**Purchaser**") as purchaser entered into a formal sale and purchase agreement ("**Formal 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 as at the date of the Formal Sale and Purchase Agreement and approximately 3.48% shareholding on a fully-diluted basis) (the "**Sales Shares**") of Source Photonics Holdings (Cayman) Limited ("**Source Photonics Group**" or the "**Target Company**") at the consideration of US$21,559,218 (equivalent to approximately RMB156.6 million) (the "**Disposal**"). The Formal Sale and Purchase Agreement superseded the framework agreement dated 26 November 2023 entered into between, among others, Pacific Smart, the Purchaser and the Target Company in respect of the Disposal.

The Disposal constitutes a very substantial disposal of the Company under the Listing Rules and is subject to the approval of the shareholders of the Company. An extraordinary general meeting convened on 9 September 2024 and an ordinary resolution for the Disposal passed to that effect.

Pacific Smart and the Purchaser further entered into a supplemental agreement, 2nd supplemental agreement and 3rd supplemental agreement on 23 September 2024, 31 October 2024 and 31 December 2024 respectively for the amendment of the Formal Sale and Purchase Agreement (collectively, "**Supplemental Agreements**") due to more time is required for the Purchaser to obtain the necessary approvals for the Disposal from the relevant regulatory authorities in the PRC and the Purchaser can only issue the notice and announcement for convening its shareholders' meeting for approving the Disposal after having obtained such regulatory approvals. As such, both Pacific Smart and the Purchaser consider that it is necessary to amend and further amend the terms of the Formal Sale and Purchase Agreement by way of Supplemental Agreements.

On 24 January 2025, Pacific Smart received a written notice from the Purchaser for the termination of the Formal Sale and Purchase Agreement (as amended by the Supplemental Agreements) with immediate effect pursuant to the terms set out in the Formal Sale and Purchase Agreement ("**Termination**").

For details of the Disposal, the Supplemental Agreements and the Termination, please refer to the Company's announcements dated 4 December 2023, 28 June 2024, 9 September 2024, 23 September 2024, 31 October 2024, 31 December 2024 and 27 January 2025 and the Company's circular dated 23 August 2024.

EVENTS AFTER THE REPORTING PERIOD

Termination of Very Substantial Disposal

As disclosed in the announcement of the Company dated 28 June 2024, Pacific Smart and the Purchaser entered into the Formal Sale and Purchase Agreement for the Disposal of Source Photonics Group on 23 June 2024 which constituted a very substantial disposal under the Listing Rules.

As disclosed in the announcement of the Company dated 27 January 2025, the Formal Sale and Purchase Agreement (as amended by the subsequent Supplemental Agreements) was terminated by the Purchaser by way of a written notice from the Purchaser with immediate effect on 24 January 2025.

The Board considers that the termination of the Formal Sale and Purchase Agreement (as amended by the Supplemental Agreements) will not have any material adverse effect on the financial position or business operation of the Group.

The Group will continue to look for potential purchaser(s) for the Sale Shares and will inform the Shareholders and potential investors if the terms for disposal of the Sale Shares to such potential purchaser(s) have been finalised.

For details of the Disposal, the Supplemental Agreements and the Termination, please refer to the section headed "Disposal of the Sale Shares of the Target Company".

Save as the Termination of Very Substantial Disposal and disclosed in this announcement, after the Reporting Period and up to the date of this announcement, there was no significant event relevant to the business or financial performance of the Group that came to the attention of the Directors.

OUTLOOK

Looking ahead to 2025, the converging trend of the digital economy and the real economy is driven by various factors such as the 5G infrastructure, broadband network coverage, and increased demand in the power sector, optical fibre cables serve as the primary medium for information transmission and will continue to provide robust support for modern communication networks, market demand in China's optical fiber and cable industry is expected to rise steadily. By 2025, the industry in China is set to experience a phase of transformation and enhancement propelled by both technological advancements and market needs, particularly due to the rapid deployment of 5G networks, which is expected to create significant growth opportunities for the industry.

At the National Industrial and Information Technology Work Conference held in late December 2024, key initiatives were outlined for the information and communication sector, two of which are closely tied to the optical fibre and cable industry. First, refining policy frameworks for "dual-gigabit" networks development alongside piloting the rollout of ten-gigabit optical networks; and second, efficiently advancing the optimization of computing power center construction to facilitate a "networked computing" environment. The development of 'dual-gigabit' cities has been a focal point in recent years for digital urban initiatives. Latest survey data indicates that the number of gigabit cities across the nation has reached 207 while the newer goal of developing terabit cities is going traction with pilot commercial projects launched in cities like Beijing and Shanghai. 11 provinces, including Jiangsu and Guangdong have issued relevant plans for developing terabit optical network infrastructure and application. These developments will drive upgrade and expansion in network bandwidth and capacity, especially within metropolitan area networks fueling the ongoing demand for outdoor optical cables. Furthermore, the penetration of gigabit and ten-gigabit optical networks is transforming indoor networking for both homes and businesses. Fiber to the Room (FTTR), an extension of Fiber to Home (FTTH), is becoming the mainstream. By bringing fibre optic connectivity to every room and integrating technologies like Wi-Fi 6, FTTR ensures comprehensive network coverage and high-speed transmission, spurring large scale adoption of both invisible cables and bow-type cables.

The rapid growth in the demand of computing power is driven by the widespread application of AI technology leading to a corresponding enhancement in the construction scale of intelligent computing centers and computing power networks. Currently, there are eight computing hub nodes across the country, with ten intelligent computing center clusters being developed around these hubs. These intelligent computing center networks require ultra-high bandwidth and ultra-low latency prompting operators to build next generation computing power backbone networks. With 10-gigabit and terabit cities, as well as the nationwide integrated computing power network initiatives gaining momentum in 2025, coupled with the decline in optical fibres and cables inventories among domestic telecommunications providers, major domestic operators are expected to initiate a new phase of large-scale procurement of optical fibres and cables, which is expected to significantly boost demand compound to 2024.

As global digitalization accelerates, countries are intensifying their investment in communication network infrastructure. This has resulted in a rapid increase in demand for optical fibre cables in key overseas markets, including Europe, Asia, Southeast Asia, Africa, and Latin America, driving substantial export opportunities for China's optical fibre cable manufacturers. By 2025, as nations expedite their network fiberization efforts, the global demand for optical fibres and cables is projected to expand significantly. According to forecasts from CRU, the worldwide demand for optical cables is projected to achieve a compound annual growth rate of approximately 4% from 2023 to 2027, exceeding 650 million fibre kilometers by the end of 2027. Reports and Data estimate that the global optical fibre market will reach USD 11.18 billion by 2030, with a compound annual growth rate of around 9.3%. Notably, optical fibre network construction in Europe and America is accelerating significantly. The FTTH Council Europe predicts that by 2028, the number of FTTH/B users in the EU 27 countries and the UK will reach 137 million covering 211 million households, while across the EU 39 countries, FTTH/B users are expected to reach 196 million covering 308 million households. However, challenges in overseas markets are also mounting due to the increased international influence of China's optical fibre and cable industry rising exports, and complexities of the global economic environment.

In 2025, China's optical fibre and optical fibre cable industry is poised to leverage a multitude of favorable factors from the transition from FTTH to FTTR, the evolution of metropolitan area networks to computing power backbone networks, and the expansion from domestic markets to global markets all which contribute to the potential for higher quality development. The rapid adoption of AI and its deep integration with optical networks are resharping the future landscape of the telecommunications sector. With the explosive growth of AI large models, generative AI, and edge computing, optical fibre cables as the core infrastructure for data transmission are encountering both new opportunities and challenges.

The Group will continue to consolidate and expand its market share for existing products while continuously innovating and improving product offerings to cater to the rising demands of 5G technology, broadband, and data center connectivity. Building on the rapid advancement and enhancement of optical device businesses, the Group will seize opportunities presented by the new generation of optical fibre cable products characterized by large capacity, low latency, and extensive coverage, driven by emerging computing power networks. By targeting new applications such as AI and computing power, the Group will proactively increase its research and development efforts for innovative optical fibre cables, striving for breakthroughs that will support the construction of next-generation information and communication infrastructure. Furthermore, the Company will enhance its ability to manage raw material prices through automation and process optimization to bolster cost control, thereby strengthening its competitive advantages and profitability. The Group is committed to seeking out and exploring new avenues for business growth, aiming to achieve significant progress in sectors such as data centers, the industrial internet, and new energy vehicles, ensuring they serve as vital components of the Group's sustainable and stable development.

The macroeconomic landscape in China in 2025 will feature both growth and challenges and a complex global environment The optical fibre and optical fibre cable industry is highly cyclical as the development of the industry is highly positively corelated to the investment efforts of telecommunications operators. It is believed that its impact on the Group's operations and future prospects will depend on the macro policies and environment and relevant protective measures that may affect the business environment in which the Group operates. In addition, in the context of the vigorous development of the digital economy, optical fibre cables are used as the basic infrastructure for optical communication, which has brought opportunities for the development of the optical fibre cable industry. However, there remains uncertainties in the price trends of bulk raw materials and nonferrous metals, as well as in the stability of logistics. Under the current market environment, optical fibre and optical fibre cables companies still encounter challenges and uncertainties in their operations. The Group will stay alert to the development of the matters mentioned above, continue to assess their impacts on the Group and take necessary measures to mitigate these impacts on our business.

In response to these challenges, the Group will actively pursue opportunities arising from the development of the digital economy and the upgrading of both optical communication market and technologies in 2025. We will endeavor to increase our competitiveness expand market share, maintain financial flexibility, and adjust strategies as required to navigate macroeconomic uncertainties with a view to generating satisfactory returns to our shareholders.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance and believes that 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 year ended 31 December 2024. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

As disclosed in an announcement of the Company dated 20 February 2025, following the passing away of Mr. Wu Wing Kuen, the number of independent non-executive Directors falls short of the minimum number required under Rule 3.10(1) of the Listing Rules up to the date of this announcement. The Company will seek to appoint a new independent non-executive Director as soon as practicable and within three months as stipulated under Rules 3.11 of the Listing Rules.

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 (the "**Model Code**") 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 for the year ended 31 December 2024 and up to the date of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") consists of two independent non-executive Directors and one non-executive Director namely, Mr. Chan Kai Wing, Mr. Liu Cheng Yi and Mr. Yu Jinlai, Mr. Chan Kai Wing is the chairman of the Audit Committee.

The Audit Committee had, together with the management of the Company and external independent auditor, reviewed the Group's consolidated financial statements for the year ended 31 December 2024 and this results announcement, and considered that they were prepared in compliance with the relevant accounting standards and that the Company has made appropriate disclosures thereof.

REMUNERATION COMMITTEE

The remuneration committee of the Company (the "**Remuneration Committee**") consists of one executive Director and two independent non-executive Directors, namely Ms. Yu Rumin, Mr. Chan Kai Wing and Mr. Liu Cheng Yi. Mr. Liu Cheng Yi is the chairman of the Remuneration Committee. The Remuneration Committee will meet at least once a year to review and make recommendation to the Board on the remuneration policy and structure of the Company, and the remuneration packages of the executive directors and the senior management of the Group and other related matters.

NOMINATION COMMITTEE

The nomination committee of the Company (the "**Nomination Committee**") consists of one non-executive Director and two independent non-executive Directors, namely, Mr. Yu Jinlai, Mr. Chan Kai Wing and Mr. Liu Cheng Yi. Mr. Yu Jinlai is the chairman of the Nomination Committee. The Nomination Committee will meet at least once a year to review the structure, size and diversity of the Board and the independence of the independent non-executive directors and to consider the qualifications of the retiring directors standing for election at annual general meetings.

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company (the "**AGM**") will be held on 25 June 2025 (Wednesday) and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules.

CLOSURE OF BOOK FOR REGISTER OF MEMBERS

For determining the entitlement of the shareholders of the Company to attend and vote at the AGM, the register of members of the Company will be closed from 19 June 2025 (Thursday) to 25 June 2025 (Wednesday) (both days inclusive), during which period no transfer of shares of the Company will be effected.

To qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 18 June 2025 (Wednesday).

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 as required under the Listing Rules as at 31 December 2024 and up to the date of this announcement.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the year ended 31 December 2024, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's shares.

PUBLICATION OF THE ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This results announcement is published on the websites of each of the Stock Exchange (www.hkexnews.hk) and the Company (www.jsnfgroup.com). The Company's 2024 annual report and will be available at the websites of each of the Stock Exchange and the Company on or before 29 April 2025 (Tuesday). The printed copy of the Company's 2024 annual report will only be mailed to the Company's shareholders who have made such request. For details of the arrangement, please refer to the "New Arrangements on Dissemination of Corporate Communications" dated 4 March 2024 published by the Company on the websites of each of the Stock Exchange and the Company.

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

Hong Kong, 28 March 2025

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. Chan Kai Wing and Mr. Liu Cheng Yi.