南方通信
Nanfang Communication

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1617)

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

SALE AND PURCHASE AGREEMENT

The Board is pleased to announce that on 13 June 2025, Pacific Smart (an indirect wholly-owned subsidiary of the Company), the Purchaser and Dongshan Precision entered into the Sale and Purchase Agreement, pursuant to which Pacific Smart conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares at the Consideration of US$25,181,055.41 (equivalent to approximately RMB180.8 million, converted at the Announcement Exchange Rate).

The Sale Shares represent approximately 4.00% shareholding of the Target Company as at the date of the Sale and Purchase Agreement and are all the class A preferred shares of the Target Company held by Pacific Smart.

LISTING RULES IMPLICATIONS

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

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

A circular containing, amongst other things, (i) further details of the Disposal; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the EGM to approve the Disposal, will be despatched to the Shareholders no later than 15 July 2025.

RESUMPTION OF TRADING

Trading in the Shares was halted with effect from 9:00 a.m. on Monday, 16 June 2025 at the request of the Company, pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 June 2025.

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

INTRODUCTION

The Board is pleased to announce that on 13 June 2025, Pacific Smart (an indirect wholly-owned subsidiary of the Company), the Purchaser and Dongshan Precision entered into the Sale and Purchase Agreement, pursuant to which Pacific Smart conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares at the Consideration of US$25,181,055.41 (equivalent to approximately RMB180.8 million, converted at the Announcement Exchange Rate).

SALE AND PURCHASE AGREEMENT

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

Date: 13 June 2025

Parties:
(i) Pacific Smart;

(ii) the Purchaser;

(iii) Dongshan Precision

Subject Matter

The Sale Shares represent approximately 4.00% shareholding of the Target Company as at the date of the Sale and Purchase Agreement and are all the class A preferred shares of the Target Company held by Pacific Smart.

Consideration

The Consideration payable to Pacific Smart by the Purchaser for the Sale Shares is US$25,181,055.41 (equivalent to approximately RMB180.8 million, converted at the Announcement Exchange Rate). Therefore, the price for each Sale Share is US$3.0577.

Simultaneously with the signing of the Sale and Purchase Agreement, the Purchaser Group also entered into the Master Agreement with the Other Vendors for purchasing 192,293,605 shares (representing approximately 93.48% shareholding as at the date of the Sale and Purchase Agreement) of the Target Company at the price of US$3.0577 per share.

The terms (including the conditions precedent, termination and compensation clauses) of the Sale and Purchase Agreement and the Master Agreement are substantially the same, save and except that some of the Majority Vendors have provided much more extensive representations, warranties and undertakings, and bear more stringent burden of compensation than (i) the rest of the Other Vendors in the Master Agreement; and (ii) Pacific Smart in the Sale and Purchase Agreement.

Save as disclosed in the section headed "conditions precedent" that it is a condition for Completion of the Sale and Purchase Agreement that both Pacific Smart and a group of the Other Vendors who together hold not less than 68% shareholding of the Target Company under the Master Agreement will complete their sale of the relevant shares on the completion date of the Master Agreement, the Sale and Purchase Agreement and the Master Agreement are not inter-conditional and completion of the Master Agreement is not conditional upon the Completion of the Sale and Purchase Agreement.

Payment of Consideration

The Consideration shall be payable in cash by the Purchaser to Pacific Smart as follows:

(i) the 1st instalment of US$2,518,105.54 (equivalent to approximately RMB18.1 million, converted at the Announcement Exchange Rate), representing 10% of the Consideration, shall be payable by the Purchaser within 5 Business Days from the date of the Sale and Purchase Agreement;

(ii) the 2nd instalment of US$3,777,158.31 (equivalent to approximately RMB27.1 million, converted at the Announcement Exchange Rate), representing 15% of the Consideration, shall be payable by the Purchaser within 30 Business Days from the date of the Sale and Purchase Agreement; and

(iii) the 3rd instalment of US$18,885,791.56 (equivalent to approximately RMB135.6 million, converted at the Announcement Exchange Rate), representing the remaining 75% of the Consideration, shall be payable by the Purchaser on the Completion Date.

Basis of Consideration

The Consideration was arrived at after arms-length negotiations between Pacific Smart, the Other Vendors and the Purchaser Group and having taken into account (i) the Valuation prepared by the Valuer on Target Company at the market value (minority perspective) of approximately US$621 million (equivalent to approximately RMB4,515 million, converted at the Valuation Exchange Rate) and 4.00% shareholding of the Target Company held by Pacific Smart (i.e. US$621 million x 4% = approximately US$25 million (equivalent to approximately RMB179.5 million, converted at the Announcement Exchange Rate) as at the Valuation Date under market approach; and (ii) the fact that the Other Vendors are also selling their shares in the Target Company to the Purchaser at the same price of US$3.0577 per share. The Board considers that it is fair and reasonable to take these factors into account for arriving at the amount of the Consideration.

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

The Valuation

According to the Valuation prepared by the Valuer engaged by the Purchaser, the Target Company was preliminarily valued at US$25 million as at the Valuation Date (equivalent to approximately RMB181.8 million, if converted at the Valuation Exchange Rate; and equivalent to approximately RMB179.5 million, if converted at the Announcement Exchange Rate).

Information relied upon

The Valuer has been provided with extracts of copies of relevant documents and financial information relating to the Target Company. The Valuation was conducted based on the aforesaid information and market data and information sourced from Bloomberg in forming the opinion of the fair value of 4% equity of the Target Company as at the Valuation Date.

Valuation assumptions

The Valuation is based upon the following assumptions and limitations:

(i) the financial and operational information and information on the capital structure of the Target Company provided by the Company are accurate and truthful;

(ii) the annual net profits of the Target Company did not change materially from 31 December 2024 to the Valuation Date;

(iii) according to the Company, the terms of the previous financing round investment agreements concerning the Sale Shares set December 2025 as the original exit date for the Sale Shares. As the Purchaser will acquire over 90% of the issued shares of the Target Company and will treat all such shares equally in the Sale and Purchase Agreement and in the Master Agreement, the Valuer also treated all shares of the Target Company equally in the Valuation;

(iv) the Target Company would continue to operate the business of optical assemblies, modules and transmission component manufacturing in the foreseeable future;

(v) the Target Company recognized a net loss attributable to minority interests for 2024, and this is considered as a non-recurring item in the Valuation;

(vi) no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value;

(vii) no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business was in operation;

(viii) no major changes in the current taxation law in the areas in which the Target Company carried on its business, that the rate of tax payable remains unchanged and that all applicable laws and regulations would be complied with;

(ix) the inflation, interest rates and currency exchange rates would not differ materially from those presently prevailing;

(x) the Target Company would retain its management and technical personnel to maintain its ongoing operations;

(xi) there would be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that would affect the existing business of the Target Company;

(xii) the Target Company would remain free from claims and litigation against the business or its customers that would have a material impact on the valuation;

(xiii) the Target Company were unaffected by any statutory notice and the operation of the business would not give rise to any contravention of any statutory requirements; and

(xiv) the optical assemblies, modules and transmission component manufacturing business was not subject to any unusual or onerous restrictions or encumbrances.

Methodology

The Valuer has adopted market approach in the valuation of the Target Company, which is considered a common valuation method for operating optical assemblies, modules and transmission component manufacturing businesses like the Target Company.

The Valuer has conducted the Valuation by comparing the Target Company with the market comparables based on their price-to-earnings ("**P/E**") multiple because the value of a business like the Target Company would directly be related to its ability to derive earnings from the sales of optical component products. Thus, the net profit of the Target Company is considered the key value indicator of its business. The P/E multiple is a common valuation multiple used to appraise the valuation of profit-making businesses like the Target Company.

Identification of suitable comparable companies

The Valuer identified relevant comparable companies based on multiple sets of selection criteria in order to sort out particular companies that are comparable to the subject company in terms of risks and business nature. The following selection criteria was adopted to sort out appropriate comparable companies for the Target Company:

(i) the comparable companies should be publicly traded with primary listings on either the Hong Kong Stock Exchange or the mainland China stock exchanges (Shanghai Stock Exchange or Shenzhen Stock Exchange);

(ii) the comparable companies should be classified under the communication equipment industry according to the Bloomberg Industry Classification System (BICS);

(iii) according to their latest published annual reports and company websites, the revenue from the optical assemblies, modules and transmission components manufacturing business for the comparable companies should account for over 50% of total revenue in 2024;

(iv) the financial information of the comparable companies must be publicly available;

(v) the comparable companies' historical trading data must be sufficient and available;

(vi) the public trading of the comparable companies' shares should have been suspended for no more than 30 days within one year before the Valuation Date.

After the above screening process, the market information of the selected comparable companies was collected from Bloomberg to derive the proxy P/E multiple to be applied to the valuation of the equity of the Target Company.

Conditions Precedent

Completion is conditional upon fulfilment of the following conditions (or waiver of any of the conditions precedents (d) to (g) by Pacific Smart, or waiver of any of the conditions precedents (i) to (p) by the Purchaser):

(a) there are no applicable laws restricting, prohibiting or cancelling the transactions under the Sale and Purchase Agreement;

(b) the Antitrust Vetting has been passed;

(c) the Reorganization has completed;

(d) the Purchaser and Dongshan Precision have completed their internal approval procedures for the transactions contemplated by the Sale and Purchase Agreement;

(e) the Purchaser and Dongshan Precision and their related parties have signed and delivered the relevant transaction documents;

(f) the representations and warranties given by the Purchaser under the Sale and Purchase Agreement remain true, accurate and complete and are not misleading in any material respects and the Purchaser is not in breach of any of its undertakings or obligations which are required to be carried out or discharged on or before Completion Date;

(g) the Purchaser has signed and delivered to Pacific Smart a letter confirming fulfilment of the condition precedents;

(h) Pacific Smart has completed its internal approval procedures for the transactions contemplated by the Sale and Purchase Agreement and has obtained the approval of the Sale and Purchase Agreement and the transactions contemplated thereby from the shareholders of the Company at its general meeting;

(i) Pacific Smart and its related parties have signed and delivered the relevant transaction documents;

(j) shareholders of the Target Company have approved the Main Transactions and the transactions contemplated under the Sale and Purchase Agreement, and have provided a written waiver of their preemptive rights in respect of the shares of the Target Company to be transferred by Pacific Smart under the Sale and Purchase Agreement and by the Other Vendors under the Master Agreement;

(k) Pacific Smart has signed the instrument of transfer in respect of the Sale Shares;

(l) resolutions have been passed by the shareholders of the Target Company to remove four existing directors of the Target Company and appoint individuals nominated by the Purchaser as the directors of the Target Company (so that such individuals shall constitute the majority of the board of directors of the Target Company), both with effect from completion date of the Master Agreement;

(m) there are no obstacles which affect the transactions contemplated under the Sale and Purchase Agreement and there are no circumstances in commercial, technical, legal or financial aspects that would cause material adverse effect on the Target Group, except for matters disclosed in the Sale and Purchase Agreement;

(n) the representations and warranties given by Pacific Smart under the Sale and Purchase Agreement remain true, accurate and complete and are not misleading in any material respects and Pacific Smart is not in breach of any of its undertakings or obligations which are required to be carried out or discharged on or before Completion Date;

(o) both Pacific Smart and a group of the Other Vendors who together hold not less than 68% shareholding of the Target Company under the Master Agreement will complete their sale of the relevant shares on the completion date of the Master Agreement; and

(p) Pacific Smart has signed and delivered to the Purchaser a letter confirming fulfilment of the condition precedents.

Condition precedent (h) cannot be waived by the Purchaser.

Completion

Completion shall take place on the completion date of the Master Agreement after the conditions precedent set out in the Sale and Purchase Agreement have been fulfilled or waived.

Completion of the Master Agreement will take place on the third Business Day after the conditions precedent set out in the Master Agreement are fulfilled or waived.

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

Termination

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

(a) Pacific Smart and the Purchaser agree to terminate the Sale and Purchase Agreement;

(b) the Majority Vendors or the Purchaser decides to terminate the Master Agreement when (i) by the Long Stop Date, the Antitrust Vetting has not been completed and the Majority Vendors and the Purchaser fail to reach an agreement on an alternative solution within 15 days thereafter; or (ii) the competent government departments of the US or the PRC do not approve the Antitrust Vetting or impose conditions which are unacceptable to the Majority Vendors or the Purchaser upon approval of the Antitrust Vetting;

(c) Pacific Smart decides to terminate the Sale and Purchase Agreement when (i) the Purchaser has failed to timely pay any instalment payment; or (ii) the Purchaser refuses to proceed with the Completion notwithstanding that the conditions precedent (a) to (g) have been fulfilled or waived;

(d) the Majority Vendors decide to terminate the Master Agreement when the Main Transactions constitute a major asset reorganization of Dongshan Precision;

(e) Pacific Smart decides to terminate the Sale and Purchase Agreement when the Purchaser or Dongshan Precision is in breach of its representations, warranties, undertakings or obligations under the Sale and Purchase Agreement and such breach causes any conditions precedent (a) to (g) cannot be fulfilled by the Long Stop Date (including having given the opportunity to the Purchaser Group to remedy the breach);

(f) the Purchaser decides to terminate the Sale and Purchase Agreement when Pacific Smart is in breach of its representations, warranties, undertakings or obligations (other than the undertaking mentioned in paragraph (g) below) under the Sale and Purchase Agreement and such breach causes any conditions precedent (a) to (c) and (h) to (p) cannot be fulfilled by the Long Stop Date (including having given the opportunity to Pacific Smart to remedy the breach);

(g) the Purchaser decides to terminate the Sale and Purchase Agreement if (i) Pacific Smart is in breach of the undertaking in the Sale and Purchase Agreement that Pacific Smart shall not negotiate or sign any agreement with any third party for selling, transferring, charging or creating any security interest over the Sale Shares; (ii) Pacific Smart refuses to proceed with the Completion notwithstanding that the conditions precedent (a) to (c) and (h) to (p) have been fulfilled or waived; or (iii) Pacific Smart refuses to proceed with the Completion on the earlier of either the third Business Day after the Reorganization has completed or the Long Stop Date (if the Reorganization has not completed but no party is in breach of the Master Agreement) when (x) the Antitrust Vetting has been passed and without conditions unacceptable to the Majority Vendors or the Purchaser; and (y) except conditions precedent (b) and (c), all other conditions precedent have been fulfilled or waived;

(h) Pacific Smart decides to terminate the Sale and Purchase Agreement if the Purchaser refuses to pay the Consideration upon the Completion which takes place on the earlier of either the third Business Day after the Reorganization has completed or the Long Stop Date (if the Reorganization has not completed but no party is in breach of the Master Agreement) when (x) the Antitrust Vetting has been passed and without conditions unacceptable to the Majority Vendors or the Purchaser; and (y) except conditions precedent (b) and (c), all other conditions precedent have been fulfilled or waived;

(i) the Master Agreement is automatically terminated in accordance with its terms; or

(j) the Master Agreement is terminated as between all the Majority Vendors and the Purchaser.

If the Sale and Purchase Agreement is terminated under paragraphs (a), (b), (i) or (j), Pacific Smart shall return to the Purchaser all instalment payment(s) received within 3 Business Days.

If the Sale and Purchase Agreement is terminated under paragraphs (c), (d) or (h), Pacific Smart is entitled to forfeit all instalment payment(s) which have been received from the Purchaser as compensation.

If the Sale and Purchase Agreement is terminated under paragraph (e), Pacific Smart shall return to the Purchaser all instalment payment(s) received within 3 Business Days but the Purchaser shall pay a compensation to Pacific Smart in the sum equivalent to the product of US$14 million and the percentage of shareholding in Target Company held by Pacific Smart (i.e. US$14 million x 4% = US$560,000). The basis of US$14 million as the benchmark for calculation of compensation payment is determined with reference to the appraised value of the Target Company (i.e. US$621 million x 2.25% = US$14 million) after arm's length negotiations between respective the parties to the Sale and Purchase Agreement and the Master Agreement having taken into account the tolerance levels of the Purchaser Group and the reasonable amount that are acceptable by Pacific Smart and Other Vendors in the event of termination of the Sale and Purchase Agreement. The basis of US$14 million is adopted in both the Sale and Purchase Agreement and the Master Agreement.

If the Sale and Purchase Agreement is terminated under paragraph (f), Pacific Smart shall return to the Purchaser all instalment payment(s) received within 3 Business Days and shall pay a compensation to the Purchaser in the sum of US$560,000.

If the Sale and Purchase Agreement is terminated under paragraph (g), Pacific Smart shall return to the Purchaser all instalment payment(s) received from the Purchaser and shall pay a compensation to the Purchaser in the sum equivalent to the amount of all instalment payment(s) which have been received by Pacific Smart.

Other termination events

Before Completion Date, if Pacific Smart is in breach of its representations, warranties or undertakings under the Sale and Purchase Agreement and such breach has caused a loss in the Target Group's assets ("**Assets Loss**"), then:

(a) if the Assets Loss does not exceed 15% of the product of the number of issued shares of the Target Company and the share price of US$3.0577 per share (i.e. 205,714,886 x US$3.0577 = US$629,014,407 ("**Total Share Consideration**")), the parties shall continue to perform the Sale and Purchase Agreement but Pacific Smart shall compensate the Purchaser's loss as a result;

(b) if the Assets Loss exceeds 15% but does not exceed 30% of the Total Share Consideration, either Pacific Smart or the Purchaser may terminate the Sale and Purchase Agreement if they fail to reach an agreement on whether to continue to perform the Sale and Purchase Agreement within 30 days of their negotiations;

(c) if the Assets Loss exceeds 30% of the Total Share Consideration, the Purchaser is entitled to terminate the Sale and Purchase Agreement.

Pacific Smart shall return to the Purchaser all instalment payment(s) received within 3 Business Days if the Sale and Purchase Agreement is terminated under paragraphs (b) or (c) above.

Pacific Smart's representations, warranties and undertakings in the Sale and Purchase Agreement basically cover (i) its legal capacity and the validity of its execution and performance of the Sale and Purchase Agreement and related documents; (ii) its unencumbered ownership of the Sale Shares; and (iii) its obligation to facilitate the Reorganization.

The aforesaid representations, warranties and undertakings are included in the Sale and Purchase Agreement as a result of arm's length negotiations between Pacific Smart, the Other Vendors and the Purchaser Group and are standard terms in agreements of similar transactions.

The Board considers Pacific Smart's representations, warranties and undertakings under the Sale and Purchase Agreement to be minimal and could hardly cause any Assets Loss in case of breach. The compensation and termination clauses related to the Assets Loss in the Sale and Purchase Agreement are included primarily to ensure consistency and alignment with the Master Agreement in which some of the Majority Vendors have provided much broader scope of representations, warranties and undertakings related to the Target Group. Furthermore, the basis of the 15% and 30% thresholds were established following arm's length negotiations between the parties having balanced and taken into account the tolerance levels of Assets Loss which are acceptable by Pacific Smart, the Other Vendors and the Purchaser Group, which is identical between the Sale and Purchase Agreement and the Master Agreement. In the event of a dispute where the parties cannot agree on the amount of compensation in paragraph (a) above, the amount of compensation would be determined by the court and there is no maximum amount set out in the Sale and Purchase Agreement. In determining the amount of compensation payable to the Purchaser in a litigation, the court will assess the amount of loss suffered by the Purchaser which are caused by Pacific Smart's breach of its warranties, representations or undertakings under the Sale and Purchase Agreement and such amount of compensation may not directly related to the amount of Consideration payable to or received by Pacific Smart. After all, the Board considers that Pacific Smart would be highly unlikely to be in breach of its representations, warranties and undertakings under the Sale and Purchase Agreement and to cause any Assets Loss. In view of the above, the Board is of the view that the compensation and termination clauses are fair and reasonable, and in the interest of Company.

The specific compensations payable by Pacific Smart under conditions precedent (f) and (g) will only be triggered by the scenarios mentioned in conditions precedent (f) and (g) and are not related to or applicable in the event that the Sale and Purchase Agreement is terminated as a result of the Assets Loss exceeding the thresholds mentioned in paragraphs (b) or (c) above.

INFORMATION ON THE TARGET GROUP

Target Company

The Target Company is a company incorporated in the Cayman Islands with limited liability. Its principal businesses are designing, manufacturing and selling of a broad portfolio of optical communications devices, components, modules and subsystems used in communication networks.

Target Group

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

Set out below is a combined financial summary of the fair value of the Company's investment in the Target Company as extracted from the annual reports of the Company for the two financial years ended 31 December 2023 and 2024, which were prepared in accordance with the IFRS:

	Year ended 31 December	
	2024	**2023**
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Financial assets at fair value through profit and loss ("**FVTPL**")		
Opening balance	154,121	167,150
Change in fair value of financial assets at FVTPL	7,157	(13,029)
Closing balance	161,278	154,121

The Company's investment in the Target Company has been recognised and measured at fair value at the end of each reporting period as a level 3 instrument, i.e. financial assets at FVTPL which is not traded in an active market and its valuation was undertaken by the Valuer, an independent qualified professional valuer. Market approach was used to determine the underlying equity value of the Target Company and guideline public company method model were adopted to determine the fair value of the Company's investment in the Target Company at FVTPL as at 31 December 2023 and 31 December 2024.

Based on the audited consolidated financial statements of the Target Company prepared in accordance with the Chinese Accounting Standards, the net assets value of the Target Company as at 31 December 2024 was approximately RMB1,008 million, and the net profits/(loss) (both before and after taxation) of the Target Company for the two financial years ended 31 December 2023 and 2024 are as follows:

	Year ended 31 December	
	2024	**2023**
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Net profits/(loss) (before taxation)	482,866	(16,230)
Net profits/(loss) (after taxation)	404,525	(17,499)

INFORMATION OF PACIFIC SMART

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

INFORMATION OF THE COMPANY AND THE GROUP

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

INFORMATION OF THE PURCHASER GROUP

The Purchaser is a company incorporated with limited liability in Hong Kong and an indirect wholly-owned subsidiary of Dongshan Precision. The principal businesses of the Purchaser are research and development, and investment holding. Dongshan Precision is a company incorporated with limited liability in the PRC, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 002384). Dongshan Precision is principally engaged in manufacturing PCB (printed circuit board) products, photoelectric display, and precision manufacturing.

To the best of the Directors' knowledge, information and belief and upon having made all reasonable enquiries, the Purchaser and Dongshan Precision and their ultimate beneficial owners are Independent Third Parties.

FINANCIAL EFFECT OF THE DISPOSAL

According to the Company's annual report for the financial year ended 31 December 2023, the Company has recognized fair value loss of approximately RMB13,029,000 through its investment in the Target Company. According to the Company's annual report for the financial year ended 31 December 2024, the Company has recognized fair value gain of approximately RMB7,157,000 through its investment in the Target Company.

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

As disclosed in the annual report of the Company for the financial year ended 31 December 2024, the fair value of the Company's investment in the Target Company (the "**Fair Value**") as at 31 December 2024 was approximately RMB161,278,000. As a result, it is expected that the Company will record a gain of approximately RMB18.0 million from the Disposal.

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

USE OF PROCEEDS

Based on the Consideration of approximately US$25,181,055.41 (equivalent to approximately RMB180.8 million, converted at the Announcement Exchange Rate), the net cash proceeds for the Disposal are estimated to be approximately RMB179.3 million. The Group intends to use the net cash proceeds as general working capital for the daily operations of the Group and expansion of the Group's business when there is suitable opportunity.

REASONS AND BENEFITS OF THE DISPOSAL

At the time when the Group invest in the Target Company, the Board expected positive business synergies could be generated by the Group's acquisition of the Sale Shares in 2020.

Nevertheless, there were subsequent changes in the management of the Target Group and a shift of the Target Group's business strategy. As a result, the Target Group has chosen to focus on operating its business through its pre-existing corporate structure and its management has not accepted the Group's invitation to establish a joint venture for production of transceivers. Hence, the positive business synergies originally expected to be generated between the Group and the Target Group as well as other business objectives of the Group in respect of the Group's investment in the Target Company have not materialized.

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

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

LISTING RULES IMPLICATIONS

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

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

A circular containing, amongst other things, (i) further details of the Disposal; (ii) other information as required to be disclosed under the Listing Rules; and (iii) a notice of the EGM to approve the Disposal, will be despatched to the Shareholders no later than 15 July 2025.

RESUMPTION OF TRADING

Trading in the Shares was halted with effect from 9:00 a.m. on Monday, 16 June 2025 at the request of the Company, pending the publication of this announcement. An application has been made to the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange with effect from 9:00 a.m. on 24 June 2025.

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

DEFINITIONS

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

"Announcement Exchange Rate"	the exchange rate of US$1 to RMB7.18 for the sole purpose of disclosure in this announcement
"Antitrust Vetting"	the antitrust vetting of the Main Transactions under the applicable PRC laws and U.S. laws
"Board"	the board of Directors
"Business Day"	a day (other than Saturday, Sunday or statutory public holidays of the PRC, Hong Kong, the place in which the bank designated by Pacific Smart for receiving Consideration situates or the place in which the bank designated by the Purchaser for paying Consideration situates)
"BVI"	the British Virgin Islands
"Chinese Accounting Standards"	the Accounting Standards for Business Enterprises, the Interpretation Announcement of the Accounting Standards for Business Enterprises and other relevant requirements issued by the Ministry of Finance* (財政部發佈的企業會計準則及其應用指南、解釋及其他有關規定)

"Company"	Nanfang Communication Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1617)
"Completion"	completion of the Disposal
"Completion Date"	the date of Completion
"connected person(s)"	has the meaning ascribed to it under the Listing Rules
"Consideration"	the consideration payable by the Purchaser to Pacific Smart for the Sale Shares
"Director(s)"	director(s) of the Company
"Disposal"	the proposed disposal of the Sale Shares by Pacific Smart to the Purchaser pursuant to the Sale and Purchase Agreement
"Dongshan Precision"	Suzhou Dongshan Precision Manufacturing Co., Ltd. (蘇州東山精密製造股份有限公司), a company incorporated with limited liability in the PRC, the A shares of which are listed on the Shenzhen Stock Exchange (stock code: 002384)
"EGM"	an extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereby
"Group"	the Company and its subsidiaries
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China
"IFRS"	International Financial Reporting Standards

"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and its connected persons
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Long Stop Date"	the day falling 6 months after all conditions for Reorganization have been fulfilled
"Main Transactions"	the transactions contemplated by the Master Agreement
"Majority Vendors"	certain of the Other Vendors who together are holding and agree to sell a total of 139,983,646 shares (representing approximately 68.05% shareholding as at the date of the Sale and Purchase Agreement) in the Target Company to the Purchaser pursuant to the Master Agreement
"Master Agreement"	the sale and purchase agreement dated 13 June 2025 entered into between the Other Vendors, the Purchaser and Dongshan Precision for the sale and purchase of 192,293,605 shares (representing approximately 93.48% shareholding as at the date of the Sale and Purchase Agreement) in the Target Company
"Other Vendors"	14 shareholders of the Target Company who agree to sell a total of 192,293,605 shares (representing approximately 93.48% shareholding as at the date of the Sale and Purchase Agreement) in the Target Company to the Purchaser at the price of US$3.0577 per share pursuant to the Master Agreement
"Pacific Smart" or "PSD"	Pacific Smart Development Limited, a company incorporated with limited liability in the BVI and an indirect wholly-owned subsidiary of the Company
"PRC"	the People's Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan

"Purchaser"	Multek Group (Hong Kong) Limited (超毅集團(香港)有限公司), a company incorporated with limited liability in Hong Kong and an indirect wholly-owned subsidiary of Dongshan Precision
"Purchaser Group"	the Purchaser and Dongshan Precision
"Reorganization"	the corporate reorganization of the Target Group for spinning off some of the subsidiaries of the Target Company
"RMB"	Renminbi, the lawful currency of the PRC
"Sale and Purchase Agreement"	the sale and purchase agreement dated 13 June 2025 entered into between Pacific Smart, the Purchaser and Dongshan Precision for the Disposal
"Sale Shares"	the 8,235,293 class A preferred shares (representing approximately 4.00% shareholding as at the date of the Sale and Purchase Agreement) of the Target Company held by Pacific Smart, being all the class A preferred shares of the Target Company held by Pacific Smart
"Share(s)"	ordinary share(s) of HK$0.001 each in the share capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Target Company"	Source Photonics Holdings (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability
"Target Group"	the Target Company and its subsidiaries
"US$"	United States dollar(s), the lawful currency of the United States of America

"Valuation"	the preliminary valuation conducted by the Valuer for appraising the value of 4.00% shareholding of the Target Company as at the Valuation Date
"Valuation Date"	30 April 2025, being the benchmark date of the Valuation
"Valuation Exchange Rate"	the exchange rate of US$1 to RMB7.27 with reference to the exchange rate published by Bloomberg on the Valuation Date
"Valuer"	APAC Asset Valuation and Consulting Limited, an independent professional valuer engaged by Pacific Smart
"%"	per cent.

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

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

Hong Kong, 23 June 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.