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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)

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

FRAMEWORK AGREEMENT

The Board is pleased to announce that on 26 November 2023, Pacific Smart (an indirect wholly-owned subsidiary of the Company), the Other Shareholders, the ESOP Participant Representatives, the Purchaser and the Target Company entered into the Framework Agreement, pursuant to which Pacific Smart (being one of the Vendors) conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares.

The Consideration payable to Pacific Smart by the Purchaser for the Sale Shares is expected to be not less than US\$21,559,000 (equivalent to approximately RMB153.1 million).

The expected Consideration was arrived at based on (i) the Preliminary Agreed Value of the Target Company of US\$620 million (equivalent to RMB4,402 million); and (ii) approximately 3.48% (on a fully-diluted basis) of the issued share capital of the Target Company represented by the Sale Shares.

Subject to completion of the Formal Valuation, the Formal Sale and Purchase Agreement will be entered into between Pacific Smart and the other parties thereto thereafter.

LISTING RULES IMPLICATIONS

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

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

An announcement containing, amongst other things, details of the Formal Sale and Purchase Agreement will be published by the Company when the Formal Sale and Purchase Agreement has been finalised and entered into between Pacific Smart and the other parties thereto after the completion of the Formal Valuation.

A circular containing, amongst other things, (i) further details of the Disposal, including details of the Formal Valuation; (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 within 15 Business Days after the Formal Sale and Purchase Agreement has been entered into between the parties thereto in order to allow sufficient time for the Company to prepare the necessary information to be included in the circular.

RESUMPTION OF TRADING

Trading in the Shares of was halted with effect from 9:00 a.m. on Monday, 27 November 2023 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 Tuesday, 5 December 2023.

Completion of the Disposal is subject to the fulfilment of certain conditions precedent and terms thereof, 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 26 November 2023, Pacific Smart (an indirect wholly-owned subsidiary of the Company), the Other Shareholders, the ESOP Participant Representatives, the Purchaser and the Target Company entered into the Framework Agreement, pursuant to which Pacific Smart (being one of the Vendors) conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, the Sale Shares.

FRAMEWORK AGREEMENT

The principal terms of the Framework Agreement are set out as follows:

Date	26 November 2023
Parties	(i) Pacific Smart (as vendor); (ii) the Other Shareholders (as vendors); (iii) the ESOP Participants Representatives (representing the ESOP Participants as vendors); (iv) the Purchaser; and (v) the Target Company

Pacific Smart, the Other Shareholders and the ESOP Participants collectively held approximately 59.7% of the issued share capital of the Target Company (on a fully-diluted basis) as at the date of the Framework Agreement.

Subject Matter

Pacific Smart has conditionally agreed to sell the Sale Shares to the Purchaser at the Completion Date. The Sale Shares represent approximately 3.48% (on a fully-diluted basis) of the total issued share capital of the Target Company as at the date of the Framework Agreement.

Consideration

The Consideration payable to Pacific Smart by the Purchaser for the Sale Shares is expected to be not less than US\$21,559,000 (equivalent to approximately RMB153.1 million).

The expected Consideration was arrived at based on (i) the Preliminary Agreed Value of the Target Company of US\$620 million (equivalent to RMB4,402 million); and (ii) approximately 3.48% (on a fully-diluted basis) of the issued share capital of the Target Company represented by the Sale Shares.

The Preliminary Agreed Value was determined based on the past financial results of the Target Group and the outlook of the industry in which the Target Group operates, and was arrived at after arm's length negotiations between the Purchaser and the board of directors of the Target Company (who have been delegated with the authority by the Vendors to engage in the negotiations). There was no independent professional valuer appointed to prepare the Preliminary Agreed Value.

The Purchaser will appoint an independent professional valuer to conduct the Formal Valuation. If the Formal Valuation shows that the value of 100% shareholding of the Target Company is less than US\$620 million and that the Parties cannot agree on the selling price of the shares of the Target Company, the Parties may terminate the Framework Agreement with no claim against each other.

If the Formal Valuation shows that the value of 100% shareholding of the Target Company is not less than or in excess of US\$620 million, the Consideration shall be adjusted upward accordingly. Any of the Vendors (including Pacific Smart) who refuse to enter into the Formal Sale and Purchase Agreement (the "**Defaulting Party**") and sell its shares in the Target Company to the Purchaser shall be liable to pay a liquidated damages to the Purchaser in the sum equivalent to 5% of the consideration (based on the Preliminary Agreed Value of the Target Company of US\$620 million) which would have been payable to that Defaulting Party if the completion had taken place (the "**Liquidated Damages**").

The finalised Consideration (based on the Formal Valuation) will be specified in the Formal Sale and Purchase Agreement to be entered into between Pacific Smart and the other parties thereto. It is expected that the Formal Sale and Purchase Agreement will be signed within 120 days after the date of the Framework Agreement.

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

- (i) 50% of the Consideration shall be payable by the Purchaser within 10 Business Days after the date on which all the conditions precedents specified in the Formal Sale and Purchase Agreement have been satisfied;
- (ii) the remaining 50% of the Consideration shall be payable by the Purchaser within 10 Business Days after the expiry of nine months' period from the date of the Formal Sale and Purchase Agreement (the "**2nd Instalment**").

Conditions Precedent

Completion is conditional upon the following conditions (unless otherwise specified in the Formal Sale and Purchase Agreement) being satisfied (or waived by the relevant parties):

- (a) the Formal Sale and Purchase Agreement having been signed by the parties thereto and has taken effect;
- (b) completion of the respective necessary internal decision-making procedures by the Parties, and in particular, for the sale of the Sale Shares by Pacific Smart, the approval by the Shareholders of the Company of the Framework Agreement, the Formal Sale and Purchase Agreement and the transactions contemplated thereby;
- (c) the Purchaser has completed financial, business and legal due diligence on the Target Company and the results of the due diligence have not revealed any inaccuracies or incompleteness which causes or may cause the Target Company to have an economic loss in an amount equivalent to more than 1% of the valuation of the Target Company as stated on the Formal Sale and Purchase Agreement;
- (d) the representations and warranties given by the Target Company and its shareholders under the Formal Sale and Purchase Agreement remain to be true and accurate in all material respects as at the Completion Date;
- (e) the transactions contemplated by the Formal Sale and Purchase Agreement have been approved by the State Anti-Monopoly Bureau of the State Administration for Market Regulation of the PRC (中華人民共和國國家市場監督管理總局反壟斷局) (if applicable);
- (f) the Purchaser has completed all the necessary procedures required by the relevant government departments and authorities in relation to overseas direct investment and foreign exchange; and
- (g) the joint chief executive officers of the Target Company, namely Jianshi Wang and Wang Hongyu (王宏宇), have entered into employment agreements with the Target Company for a term of 5 years from the date of the payment of the 2nd Instalment.

Waiting Period

Approximately 40.3% shareholding in the Target Company are held by the Remaining Shareholders who are not parties to the Framework Agreement. The Parties agree that for a period of 60 days from the date of the Framework Agreement, the Purchaser may enter into further agreement(s) with the Remaining Shareholders (or any of them) on terms materially similar to the Framework Agreement for the sale of their shareholding in the Target Company to the Purchaser.

The Remaining Shareholders may become parties to the Formal Sale and Purchase Agreement.

Completion

Completion shall take place on a date to be specified in the Formal Sale and Purchase Agreement.

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

SHAREHOLDING STRUCTURE OF THE TARGET COMPANY

Current shareholding structure

As at the date of the Framework Agreement, the shareholding structure (on a fully-diluted basis) of the Target Company is as follows:

	Name of shareholders	Type of shares	Number of shares	Percentage of shareholding <i>[Note 1]</i>
(1)	Diamond Hill, L.P.	ordinary	64,215,686	27.11%
(2)	Asia-IO SO2 SPV	ordinary	3,560,372	1.50%
(3)	TR Capital (Source Photonics) Limited	ordinary	12,254,902	5.17%
(4)	PLANETARY GEAR LIMITED	ordinary	14,357,928	6.06%
(5)	Dark Pool Limited Partnership	ordinary	347,954	0.15%
(6)	Shanghai Qilan Enterprise Management Consulting Partnership (Limited Partnership)* (上海啓瀾企業管理諮詢合夥企業(有限合夥))	ordinary	5,263,158	2.22%
(7)	Diamond Hill, L.P.	class A preferred	4,162,483	1.76%
(8)	FinTrek China Industry Power Investment Fund Limited Partnership	class A preferred	8,235,293	3.48%
(9)	Shanghai Xiucheng Enterprise Management Consulting Partnership (Limited Partnership)* (上海修承企業管理諮詢合夥企業(有限合夥))	class A preferred	12,352,940	5.22%

Name of shareholders	Type of shares	Number of shares	Percentage of shareholding <i>[Note 1]</i>
(10) Shanghai Lucun Enterprise Management Consulting Partnership (Limited Partnership)* (上海麓村企業管理諮詢合夥企業(有限合夥))	class A preferred	24,705,879	10.43%
(11) Huoerguosi Shengshi Chuangxin Equity Investment Partnership (Limited Partnership)* (霍爾果斯盛世創鑫股權投資合夥企業(有限合夥))	class A preferred	299,924	0.13%
(12) Pacific Smart Development Limited	class A preferred	8,235,293 <i>[Note 4]</i>	3.48%
(13) Shanghai Qilan Enterprise Management Consulting Partnership (Limited Partnership)* (上海啓瀾企業管理諮詢合夥企業(有限合夥))	class A preferred	297,134	0.13%
(14) Shanghai YUCUN Enterprise Management Consulting Partnership (Limited Partnership)* (上海煜村企業管理諮詢合夥企業(有限合夥))	class B preferred	14,635,500	6.18%
(15) Diamond Hill, L.P.	class B preferred	3,602,585	1.52%
(16) Sunny Faith Holdings Limited	class B preferred	900,646	0.38%
(17) Shanghai Anjian Corporate Management Consulting Partnership (Limited Partnership)* (上海安澗企業管理諮詢合夥企業(有限合夥))	class C preferred	13,672,151	5.77%
(18) V-Capital Zhigeng International Co., Limited	class C preferred	9,429,070	3.98%
(19) V-Capital International Holding Co., Limited	class C preferred	5,185,988	2.19%
(20) ESOP Participants <i>[Note 5]</i>	N/A	31,115,675 <i>[Note 2]</i>	13.14%
Total (including ESOP)		<u>236,830,561</u>	<u>100%</u>

Post-completion shareholding structure

Assuming (a) no Remaining Shareholders will become parties to the Formal Sale and Purchase Agreement or dispose any of their shares of the Target Company (whether to the Purchaser or otherwise) prior to the Completion; (b) Pacific Smart and Other Shareholders will sell all of the shares in the Target Company held by each of them to the Purchaser on the Completion Date; and (c) there is no other change of shareholding of the Company other than those contemplated under the Framework Agreement. Following the Completion, the shareholding structure (on a fully-diluted basis) of the Target Company will be as follows:

	Name of shareholders (Post-Completion)	Type of shares	Number of shares	Percentage of shareholding <i>[Note 1]</i>
(1)	the Purchaser	ordinary	12,602,856	5.32%
(2)	Diamond Hill, L.P.	ordinary	64,215,686	27.11%
(3)	Asia-IO SO2 SPV	ordinary	3,560,372	1.50%
(4)	PLANETARY GEAR LIMITED	ordinary	14,357,928	6.06%
(5)	Shanghai Qilan Enterprise Management Consulting Partnership (Limited Partnership)* (上海啓瀾企業管 理諮詢合夥企業(有限合夥))	ordinary	5,263,158	2.22%
(6)	Diamond Hill, L.P.	class A preferred	4,162,483	1.76%
(7)	Shanghai Qilan Enterprise Management Consulting Partnership (Limited Partnership)* (上海啓瀾企業管 理諮詢合夥企業(有限合夥))	class A preferred	297,134	0.13%
(8)	the Purchaser	class A preferred	53,829,329	22.74%
(9)	Diamond Hill, L.P.	class B preferred	3,602,585	1.52%
(10)	the Purchaser	class B preferred	15,536,146	6.56%
(11)	the Purchaser	class C preferred	28,287,209	11.94%
(12)	ESOP Participants <i>[Note 5]</i>	N/A	19,395,801	8.19%
			<i>[Note 3]</i>	
(13)	the Purchaser	N/A	11,719,874	4.95%
			<i>[Note 6]</i>	
	Total (including ESOP)		236,830,561	100%

Notes:

1. The shareholding percentage in this column is calculated on a fully-diluted basis, assuming that all options held under the ESOP are fully exercised by the ESOP Participants.
2. As of the date of the Framework Agreement, the options held under the ESOP have not yet been exercised. Number of options held under the ESOP are included in the total number of shares of the Target Company for the purpose of computing the consideration for each share of the Target Company payable by the Purchaser to Pacific Smart and the Other Shareholders.
3. Included for the purpose of calculation of the shareholding percentage on a fully-diluted basis only.
4. As at the date of the Framework Agreement, Pacific Smart held 8,116,697 class A preferred shares of the Target Company. Pursuant to the anti-dilution provisions in the Target Company's constitutional document, 118,596 class A preferred shares of the Target Company will be allotted and issued to Pacific Smart so that it will hold 8,235,293 class A preferred shares of the Target Company before signing of the Formal Sale and Purchase Agreement.
5. There are approximately 170 ESOP Participants.
6. Pursuant to the Framework Agreement, the Purchaser will acquire 37.6655% of the options held by the ESOP Participants.

Particulars of the Remaining Shareholders are as follows:

Name	Principal business
(1) Diamond Hill, L.P.	Investment holding
(2) Asia-IO SO2 SPV	Investment holding
(3) PLANETARY GEAR LIMITED	Investment holding
(4) Shanghai Qilan Enterprise Management Consulting Partnership (Limited Partnership)* (上海啓瀾企業管理諮詢合夥企業(有限合夥))	Investment holding

INFORMATION ON THE TARGET GROUP

Source Photonics Holdings (Cayman) Limited

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

The Target Group

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

Set out below is a combined financial summary of the fair value of the Company's investment in the Target Company as extracted from the annual reports for the two financial years ended 31 December 2021 and 2022 and the interim report for the six months ended 30 June 2023 of the Company:

	Six months ended 30 June 2023	Year ended 31 December	
	(Unaudited)	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Financial assets at fair value through profit and loss (“FVTPL”)			
Opening balance	167,150	153,016	151,599
Change in fair value of financial asset at FVTPL	–	–	1,417
Foreign exchange gains	<u>6,321</u>	<u>14,134</u>	<u>–</u>
Closing balance	<u><u>173,471</u></u>	<u><u>167,150</u></u>	<u><u>153,016</u></u>

The Company's investment in the Target Company has been recognised and measured at fair value at the end of each reporting period as a level 3 instrument, i.e. financial assets at FVTPL which is not traded in an active market and its valuation was undertaken by APAC Appraisal and Consulting Limited, an independent qualified professional valuer. Market approach was used to determine the underlying equity value of the Company and guideline public company method model were adopted to determine the fair value of the Company's investment in the Target Company at FVTPL as at 31 December 2021 and 31 December 2022. Since there was no significant change in market condition or the performance and operation of the Target Company, no change in fair value was recognised for the six months ended 30 June 2023.

Set out below is the net profits/(loss) (both before and after taxation) of the Target Company as extracted from its audited consolidated financial statements for the two financial years ended 31 December 2021 and 2022:

	Year ended 31 December	
	2022	2021
	(Audited) <i>US\$'000</i>	(Audited) <i>US\$'000</i>
Net profits/(loss) (before taxation)	28,019	8,754
Net profits/(loss) (after taxation)	26,804	10,366

INFORMATION ON THE VENDORS

Pacific Smart, being one of the Vendors, 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.

Particulars of the Other Shareholders are as follows:

Name	Place of incorporation/ formation	Principal business
(1) Shanghai Lucun Enterprise Management Consulting Partnership (Limited Partnership)* (上海麓村企業管理諮詢合夥企業 (有限合夥))	PRC	Investment holding
(2) Shanghai YUCUN Enterprise Management Consulting Partnership (Limited Partnership)* (上海煜村企業管理諮詢合夥企業 (有限合夥))	PRC	Investment holding
(3) Shanghai Anjian Corporate Management Consulting Partnership (Limited Partnership)* (上海安澗企業管理諮詢合夥企業 (有限合夥))	PRC	Investment holding
(4) Huoerguosi Shengshi Chuangxin Equity Investment Partnership (Limited Partnership)* (霍爾果斯盛世創鑫股權投資合夥企業(有限合夥))	PRC	Investment holding

Name	Place of incorporation/formation	Principal business
(5) Shanghai Xiucheng Enterprise Management Consulting Partnership (Limited Partnership)* (上海修承企業管理諮詢合夥企業 (有限合夥))	PRC	Investment holding
(6) Sunny Faith Holdings Limited	BVI	Investment holding
(7) V-Capital Zhigeng International Co., Limited	Hong Kong	Investment holding
(8) V-Capital International Holding Co., Limited	Hong Kong	Investment holding
(9) TR Capital (Source Photonics) Limited	Hong Kong	Investment holding
(10) Dark Pool Limited Partnership	Cayman Islands	Investment holding
(11) FinTrek China Industry Power Investment Fund Limited Partnership	Cayman Islands	Investment holding

To the best of the Directors' knowledge, information and belief and upon having made all reasonable enquiries, each of the Other Shareholders and their respective ultimate beneficial owner is an Independent Third Party.

INFORMATION ON THE ESOP PARTICIPANTS

The ESOP Participants are approximately 170 employees of the Target Company who are holders of share options granted under the ESOP and who will become shareholders of the Target Company upon exercise of their share options.

To the best of the Directors' knowledge, information and belief and upon having made all reasonable enquiries, each of the ESOP Participants is an Independent Third Party.

INFORMATION ON THE COMPANY AND THE GROUP

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

INFORMATION ON THE PURCHASER

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

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

FINANCIAL EFFECT OF THE DISPOSAL

According to the Company's the annual reports for the two financial years ended 31 December 2021 and 2022 and the interim report for the six months ended 30 June 2023, the Company has recognized an aggregate change in fair value and foreign exchange gains of approximately RMB21,872,000 through its investment in the Target Company. On the other hand, based on the expected Consideration of not less than US\$21,559,000 (equivalent to approximately RMB153.1 million) and the fair value of the Company's investment in the Target Company of approximately RMB173,471,000 as at 30 June 2023 according to the interim results of the Group for the six months ended 30 June 2023, the Disposal is expected to record a loss in value of investment of approximately RMB20.3 million.

The aforesaid figure has not taken into account the estimated expenses (including professional fees) in relation to the Disposal of approximately RMB1.5 million. However, the amount of such loss can only be determined at Completion and subject to audit by the Company's auditors.

USE OF PROCEEDS

Based on the expected Consideration of US\$21,559,000 (equivalent to approximately RMB153.1 million), the net cash proceeds for the Disposal are estimated to be approximately RMB151.6 million. The Group intend to use the net cash proceeds as general working capital for the daily operations of the Group and expansion of the Group's business when there is suitable opportunity.

REASONS AND BENEFITS OF THE DISPOSAL

As disclosed above, the Company is a well-established supplier for optical telecommunication products and 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, while the Target Group is a leading global provider of advanced technology solutions for optical communications and data connectivity.

In 2020, the Group acquired 8,095,527 class A preferred shares (approximately 4.59% shareholding) of SPV2 and the Shareholder's Loan at an aggregate consideration of US\$23,048,052 (equivalent to approximately RMB151.6 million, calculated at the prevailing exchange rate when the Company completed the Original Acquisition). The Target Company was an indirect wholly-owned subsidiary of SPV2 when the Original Acquisition was completed on 31 December 2020. Details of the Original Acquisition are disclosed in the Company's announcements dated 18 September 2020 and 31 December 2020.

In 2022, the Target Company and its direct and indirect holding companies completed a corporate reorganization, pursuant to which all the class A preferred shares of SPV2 held by Pacific Smart were exchanged for equivalent number of class A preferred shares (and therefore equivalent percentage of shareholding) of the Target Company. And as there were a couple of rounds of new investors making new investments in the Target Company after the Original Acquisition was completed, pursuant to the anti-dilution provisions in the Target Company's constitutional document, the number of class A preferred shares in the Target Company held by Pacific Smart was increased to 8,116,697 (which will be further increased to 8,235,293 before signing of the Formal Sale and Purchase Agreement), which was equivalent to 3.48% (on a fully-diluted basis) shareholding in the Target Company as at the date of the Framework Agreement.

Further, in 2021, there were 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 has not materialized after the Group's acquisition of the Sale Shares in 2020.

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 such additional cash balance can be used as general working capital for the Group's daily operations will also enable it to invest in other business opportunities which may arise in the future.

Having considered the above factors, the Board considers that the terms of the Framework Agreement and the Consideration are fair and reasonable and in the interest of the Company and its 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 is expected to exceed 75%, the Disposal will constitute 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 Framework Agreement, the Formal Sale and Purchase Agreement and the transactions contemplated thereby.

An announcement containing, amongst other things, details of the Formal Sale and Purchase Agreement will be published by the Company when the Formal Sale and Purchase Agreement has been finalised and entered into between Pacific Smart and the other parties thereto after the completion of the Formal Valuation.

A circular containing, amongst other things, (i) further details of the Disposal, including details of the Formal Valuation; (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 within 15 Business Days after the Formal Sale and Purchase Agreement has been entered into between the parties thereto in order to allow sufficient time for the Company to prepare the necessary information to be included in the circular.

RESUMPTION OF TRADING

Trading in the Shares of was halted with effect from 9:00 a.m. on Monday, 27 November 2023 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 Tuesday, 5 December 2023.

Completion of the Disposal is subject to the fulfilment of certain conditions precedent and terms thereof, 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:

“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or Sunday) on which no “black rainstorm warning” or a tropical cyclone warning signal no. 8 or above or “extreme conditions” is hoisted or remains hoisted or remains in effect in Hong Kong at 9:00 a.m. on that day and on which licensed banks are open in Hong Kong to the general public for business
“BVI”	the British Virgin Islands
“Century Planet”	Century Planet Limited, a company incorporated with limited liability in BVI and a wholly-owned subsidiary of the Company
“Company”	Nanfang Communication Holdings Limited, a company incorporated in the Cayman Islands with limited liability and the issued Shares of which are listed on the Main Board of the Stock Exchange (stock code: 1617)
“Completion”	completion of the Disposal in accordance with the terms and conditions of the Formal Sale and Purchase Agreement
“Completion Date”	the date of Completion
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Consideration”	the consideration payable by the Purchaser to Pacific Smart for the Sale Shares
“Director(s)”	directors of the Company
“Disposal”	the proposed disposal of the Sale Shares by Pacific Smart to the Purchaser

“EGM”	an extraordinary general meeting of the Company to be convened for the Shareholders to consider and, if thought fit, approve the Framework Agreement, the Formal Sale and Purchase Agreement and the transactions contemplated thereby
“ESOP”	the 2017 Employee Share Option Scheme adopted by the Target Company, which held options of the Target Company which, if exercised, represent approximately 13.14% of the issued share capital of the Target Company as at the date of the Framework Agreement
“ESOP Participants”	participants of the ESOP, including but not limited to the ESOP Participants Representatives
“ESOP Participants Representatives”	Jianshi Wang and Wang Hongyu (王宏宇), the joint chief executive officers of the Target Company, being the joint representatives of the participants of the 2017 Employee Share Option Scheme adopted by the Target Company
“Formal Sale and Purchase Agreement”	a definitive formal sale and purchase Agreement to be entered into between the Purchaser, the Vendors and the Target Company in relation to, amongst others, the Disposal
“Formal Valuation”	the valuation of the Target Company to be conducted by an independent professional valuer appointed by the Purchaser
“Framework Agreement”	the legally-binding framework agreement entered into between the Purchaser, the Vendors and the Target Company on 26 November 2023, in relation to, amongst others, the Disposal
“fully-diluted basis”	all 118,596 class A preferred shares of the Target Company are allotted and issued to Pacific Smart and all the 31,115,675 options of the Target Company held by the ESOP Participants are assumed to be exercised in full so that the Target Company’s total number of issued shares is increased to 236,830,561 accordingly
“Gold Image”	Gold Image Limited, a company incorporated with limited liability in BVI and holds the entire issued share capital of Pacific Smart

“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
“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
“Mr. Lin”	Mr. Lin Yu, a person who held one issued share of Gold Image before such share was sold and transferred to Century Planet at US\$1 upon its exercise of the call option granted under the Subscription Agreement
“Original Acquisition”	the Group’s acquisition of the entire issued share capital of Gold Image and Shareholder’s Loan pursuant to the Subscription Agreement
“Other Shareholders”	11 shareholders of the Target Company who together held approximately 43.08% shareholding in the Target Company as at the date of the Framework Agreement
“Pacific Smart”	Pacific Smart Development Limited, a company incorporated with limited liability in the BVI and an indirect wholly-owned subsidiary of the Company
“Parties”	parties to the Framework Agreement
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Preliminary Agreed Value”	the preliminary value of 100% shareholding of the Target Company of US\$620 million as agreed between the parties to the Framework Agreement

“Purchaser”	Vantone Neo Development Group Co., Ltd. (北京萬通新發展集團股份有限公司), a company incorporated with limited liability in the PRC, the A shares of which are listed on the Shanghai Stock Exchange (stock code: 600246)
“Remaining Shareholders”	shareholders of the Target Company who are not parties to the Framework Agreement and who together held approximately 40.3% shareholding in the Target Company as at the date of the Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	the 8,235,293 class A preferred shares of the Target Company held by Pacific Smart, representing approximately 3.48% (on a fully-diluted basis) of the total issued share capital of the Target Company as at the date of the Framework Agreement
“Share(s)”	ordinary share(s) of HK\$0.001 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Shares
“Shareholder’s Loan”	the shareholder’s loan in the sum of US\$23,038,052 which Gold Image was indebted to Mr. Lin
“SPV2”	Venus Pearl SPV2 Co Limited, a company incorporated in the Cayman Islands with limited liability
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscription Agreement”	the agreement dated 18 September 2020 entered into between Century Planet, Gold Image and Mr. Lin
“Target Company”	Source Photonics Holdings (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability
“Target Group”	the Target Company together with its subsidiaries

“US\$”	United States dollar(s), the lawful currency of the United States of America
“Vendors”	Pacific Smart, the Other Shareholders and the ESOP Participants
“%”	per cent

For the purpose of illustration only, any amounts denominated in US\$ in this announcement have been converted into RMB at the rate of US\$1 = RMB7.10. Such conversion should not be construed as a representation that the currency could actually be converted into RMB at that rate or at all.

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, 4 December 2023

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