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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)

(I) DISCLOSEABLE TRANSACTIONS – ACQUISITION OF LANDS
AND
(II) MAJOR TRANSACTIONS – CONSTRUCTION CONTRACTS

ACQUISITION OF LANDS

On 13 June 2022, Jiangsu Nanfang IT (a wholly-owned subsidiary of the Company) entered into the Grant of Collectively-owned Land Contract with Huaxing Community Residents Committee for acquisition of the land use rights of the Collectively-owned Land situated at the South side of Dongshan Road, JinTan District, Changzhou City, Jiangsu Province, PRC, with a site area of 34,358 square meters for a consideration of RMB15,461,000. Completion was taken place by 13 September 2022.

On 8 October 2022, Jiangsu Nanfang IT entered into the Grant of State-owned Land Contracts with the Planning Bureau for acquisition of the land use rights of the State-owned Lands situated at the South side of Dongshan Road, JinTan District, Changzhou City, Jiangsu Province, PRC, with a total site area of 9,991.5 square meters for an aggregate consideration of RMB4,496,200. Completion was taken place by 8 January 2023.

CONSTRUCTION CONTRACTS

On 24 October 2022, Jiangsu Nanfang IT entered into the Construction Contracts with the Contractor for the provision of construction and construction labour outsourcing services in the construction of three factory buildings and the related waste storage facilities at the Collectively-owned Land and the State-owned Lands for an aggregate contract sum of RMB120 million.

LISTING RULES IMPLICATIONS

Acquisition of Lands

As one or more of the applicable percentage ratio(s) in respect of the acquisition of land pursuant to the Grant of Collectively-owned Land Contract are more than 5% but lower than 25%, the acquisition of land pursuant to the Grant of Collectively-owned Land Contract constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company considers that the Acquisition of Lands pursuant to the Grant of Collectively-owned Land Contract and the Grant of State-owned Land Contracts should be aggregate under Rule 14.22, as the four transactions are completed within 12 months and the lands are adjacent to each other. Upon aggregation, the Acquisition of Lands still constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules, as one or more of the applicable percentage ratio(s) in respect of the Acquisition of Lands are still more than 5% but lower than 25%.

Construction Contracts

As one or more of the applicable percentage ratio(s) in respect of the transactions contemplated under the 1st Construction Contract, are more than 25% but lower than 100%, the transaction contemplated under the 1st Construction Contract constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules.

As one or more of the applicable percentage ratio(s) in respect of the transactions contemplated under the 2nd Construction Contract, are more than 5% but lower than 25%, the transaction contemplated under the 2nd Construction Contract constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

The Company considers that the Construction Contracts should be aggregate under Rule 14.22, as both were entered into with the same party. Upon aggregation, the Construction Contracts still constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules, as one or more of the applicable percentage ratio(s) in respect of the transactions contemplated under the Construction Contracts are more than 25% but lower than 100%.

ACQUISITION OF LANDS

Grant of Collectively-owned Land Contract

On 13 June 2022, Jiangsu Nanfang IT (a wholly-owned subsidiary of the Company) entered into the Grant of Collectively-owned Land Contract with Huaxing Community Residents Committee for acquisition of the land use rights of the Collectively-owned Land. Completion of the Grant of Collectively-owned Land Contract was taken place by 13 September 2022.

The principal terms of the Grant of Collectively-owned Land Contract are as follows:

Date: 13 June 2022

Parties: (1) Huaxing Community Residents Committee (as transferor); and
(2) Jiangsu Nanfang IT (as transferee)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, members of Huaxing Community Residents Committee are Independent Third Parties.

Location: **Land No.2:**

Land number 2 on South side of Dongshan Road, JinTan District, Changzhou City* (常州市金壇區東山路南側地塊二)

Site area: 34,358 square meters

Consideration: RMB15,461,000

Payment terms: The consideration of RMB15,461,000 is payable within 3 days upon signing of the Grant of Collectively-owned Land Contract.

Term of grant: 50 years

Land use: Industrial use

Grant of State-owned Land Contracts

On 8 October 2022, Jiangsu Nanfang IT entered into the Grant of State-owned Land Contracts with the Planning Bureau for acquisition of the land use rights of the State-owned Lands. Completion of the Grant of State-owned Land Contracts was taken place by 8 January 2023.

The principal terms of the Grant of State-owned Land Contracts are as follows:

Date: 8 October 2022

Parties: (1) Planning Bureau (as transferor); and
(2) Jiangsu Nanfang IT (as transferee)

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, the Planning Bureau and its ultimate beneficial owner(s) are Independent Third Party.

Location: **Land No.1:**

Land number 1 on South side of Dongshan Road, JinTan District, Changzhou City* (常州市金壇區東山路南側地塊一)

Land No.3:

Land number 3 on South side of Dongshan Road, JinTan District, Changzhou City* (常州市金壇區東山路南側地塊三)

Land No.4:

Land number 4 on South side of Dongshan Road, JinTan District, Changzhou City* (常州市金壇區東山路南側地塊四)

Site area: Land No.1: 9,931 square meters

Land No.3: 44.5 square meters

Land No.4: 16 square meters

The aggregate site area of the State-owned Lands is 9,991.5 square meters.

Consideration:	Land No.1: RMB4,469,000
	Land No.3: RMB20,000
	Land No.4: RMB7,200
	The aggregate consideration is RMB 4,496,200
Payment terms:	The consideration of RMB4,496,200 is payable upon signing of the Grant of State-owned Land Contracts.
Term of grant:	50 years
Land use:	Industrial use

The State-owned Lands are adjacent to each other and the Collectively-owned Land. This State-owned Lands and the Collectively-owned Land are adjacent to the Group's existing production sites in JinTan District, Changzhou City.

BASIS FOR DETERMINING THE CONSIDERATION OF THE ACQUISITION OF LANDS

The consideration for Acquisition of Lands was arrived at after arm's length negotiations among Jiangsu Nanfang IT, Huaxing Community Residents Committee and the Planning Bureau, with reference to the (i) the prevailing market price for industrial land per square meter in adjacent areas in Changzhou City; (ii) strategic location of the lands and their proximity to the existing factories of the Group. No independent valuation has been conducted as reference for determining the consideration for Acquisition of Lands.

The aggregate consideration for Acquisition of Lands was paid in full by Jiangsu Nanfang IT upon the signing of the Grant of Collectively-owned Land Contracts and the Grant of State-owned Land Contracts on 13 June 2022 and 8 October 2022 respectively.

The consideration for the Acquisition of Lands was financed by the Group's internal resources.

CONSTRUCTION CONTRACTS

On 24 October 2022, Jiangsu Nanfang IT has entered into the Construction Contracts with the Contractor for the provision of construction and construction labour outsourcing services in the construction of three factory buildings and the related waste storage facilities on the Collectively-owned Land and the State-owned Lands for the aggregated contract sum of RMB120 million.

The principal terms of the Construction Contracts are as follows:

Date: 24 October 2022

Parties: (1) Jiangsu Nanfang IT; and
(2) The Contractor

Construction Works: The construction works undertaken by the Contractor to be carried out at the Collectively-owned Land and the State-owned Lands under the Construction Contracts includes the provision of the following construction, supply of building materials and construction labour outsourcing services:

1st Construction Contract

The construction of two buildings of factory, namely, production line numbers 3 and 4, for the construction period between 1 November 2022 and 27 November 2023 (both days inclusive).

2nd Construction Contract

The construction of one building of factory, namely, production line number 5 and the related storage facilities for the construction period between 1 November 2022 and 28 September 2023 (both days inclusive).

Contract sum: The contract sums payable by Jiangsu Nanfang IT under the 1st Construction Contract is RMB100 million and under the 2nd Construction Contract is RMB20 million, including but not limited to the Contractor's own fees, labour costs and building materials.

Payment terms: The contract sum shall be paid by instalment payments based on percentage of construction progress and on applications for payment submitted by the Contractor together with supporting documents.

BASIS FOR DETERMINING THE CONSIDERATION OF THE CONSTRUCTION CONTRACTS

The selection of contractors for the building of three buildings of factory and the related waste storage facilities was conducted by Jiangsu Nanfang IT through tender invitations and decided by Jiangsu Nanfang IT by reference to pricing, time schedule, payment terms and the requisite construction licences held by the Contractor, background, experience, capability, financial conditions and reputation of the Contractor. The Contractor was selected as it operates in Jiangsu Province and is able to provide its construction services efficiently and at reasonable costs with labour from proximate areas. The contract sums and payment terms of the Construction Contracts was determined after arm's length negotiations between Jiangsu Nanfang IT and the Contractor with reference to the then prevailing market price of construction works with similar scale and complexity, building materials and labour costs in Changzhou City, the expected scope of work and the standard required for the project.

The Company has settled the consideration of the Construction Contracts with bank loans and internal resources of the Group.

For the reasons set out above, the Directors (including the independent non-executive Directors) consider that both the Acquisition of Lands and the Construction Contracts (including the contract sum and payment terms) are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole, and the Construction Contracts are entered into in the ordinary and usual course of business of the Group.

INFORMATION OF THE VENDORS

Huaxing Community Residents Committee

Huaxing Community Residents Committee is a committee established by the Huaxing community residents in JinTan District. To the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, members of Huaxing Community Residents Committee are Independent Third Parties.

Planning Bureau

The Planning Bureau is a bureau established by the local government of JinTan District in Changzhou City, Jiangsu Province, and is responsible for, among others, the administration of planning and natural resources work in JinTan District. To the best of the knowledge, information and belief of the Directors having made all reasonable enquiries, the Planning Bureau is an Independent Third Party.

INFORMATION OF THE CONTRACTOR

The Contractor is a company established in the PRC with limited liability and is principally engaged in building construction works and construction labour outsourcing services. To the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, (a) the registered capital of the Contractor is indirectly owned as to 95% by Mr. Lu Haijun* (盧凱軍); and (b) each of the Contractor and Mr. Lu Haijun* (盧凱軍) is an Independent Third Party and not related to other contractors or suppliers of the Company.

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 the manufacturing and sales of a wide range of optical fibre cable products and related devices as well as the 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.

No Director has any material interest in both the Acquisition of Lands and the Construction Contracts and is required to abstain from voting on the Board's decision regarding the entering into of the Acquisition of Lands and Construction Contracts.

REASONS FOR AND BENEFITS OF THE ACQUISITION OF LANDS AND ENTERING INTO THE CONSTRUCTION CONTRACTS

Reference is made to the announcement of the Company dated 18 September 2020 in respect of a disclosable transaction of the Company related to the Source Photonics Investment.

As part of the Company's corporate strategy to upgrade its technological capabilities and enhance competitiveness in the telecommunications industry, the Company invested in Source Photonics, a leading global provider of advanced optical communications technology. The investment was made with the intention to establish a joint venture with Source Photonics for the production of transceivers (i.e. WDM Fiber Transceiver), a critical component in the optical communications sector.

This intention was reflected in the relevant investment agreement, under which the consideration payable was determined with reference to the potential joint venture. The Board anticipated that the Source Photonics Investment would generate positive business synergies, given the complementary nature of the businesses of the Company and Source Photonics.

As disclosed previously in the Company's financial reports, the Company's strategy is to seize opportunities for development in the communication market, promote the rapid development and explore and strengthen new models of horizontal cooperation in the telecommunication industry. Aligned with this corporate strategy, the Company pursued the Source Protonic Investment for the next stage of development to advance high-end products and high-value-added processes with the aim to improve the Company's profit margins, competitiveness and long-term sustainability.

The Board is of the view that both the Acquisition of Lands and the Construction Contracts at the material time were preparatory steps in anticipation of the potential joint venture opportunity with Source Photonics, consistent with the Company's strategy to focus on high-end products and processes with improved profit margins, competitiveness and sustainability.

However, following the unexpected subsequent changes in the management and business strategy of Source Photonics Group, the Source Photonics Group resolved to continue operating under its existing corporate structure and declined the Company's proposal to establish a joint venture for the production of transceivers.

As a consequence of these material changes and the absence of the anticipated joint venture, the expected business synergies were not realised. Accordingly, the Company changed strategic focus and attempted to dispose of and liquidate the Source Photonics Investment in 2024.

In line with the revised corporate strategy, the Company repurposed the use of the lands acquired and the related factory facilities from the development of a new WDM transceiver production line to the expansion of existing production lines at the Group's factory in JinTan District, Changzhou City.

LISTING RULES IMPLICATIONS

Acquisition of Lands

As one or more of the applicable percentage ratio(s) in respect of the acquisition of land pursuant to the Grant of Collectively-owned Land Contract are more than 5% but lower than 25%, the acquisition of land pursuant to the Grant of Collectively-owned Land Contract constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

The Company considers that the Acquisition of Lands pursuant to the Grant of Collectively-owned Land Contract and the Grant of State-owned Land Contracts should be aggregate under Rule 14.22, as the four transactions are completed within 12 months and the lands are adjacent to each other. Upon aggregation, the Acquisition of Lands still constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules, as one or more of the applicable percentage ratio(s) in respect of the Acquisition of Lands are still more than 5% but lower than 25%.

Construction Contracts

As one or more of the applicable percentage ratio(s) in respect of the transactions contemplated under the 1st Construction Contract, are more than 25% but lower than 100%, the transaction contemplated under the 1st Construction Contract constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules.

As one or more of the applicable percentage ratio(s) in respect of the transactions contemplated under the 2nd Construction Contract, are more than 5% but lower than 25%, the transaction contemplated under the 2nd Construction Contract constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules.

The Company considers that the Construction Contracts should be aggregate under Rule 14.22, as both were entered into with the same party. Upon aggregation, the Construction Contracts still constitutes a major transaction of the Company under Rule 14.06(3) of the Listing Rules and is subject to the reporting, announcement, circular and shareholders' approval requirements under Chapter 14 of the Listing Rules, as one or more of the applicable percentage ratio(s) in respect of the transactions contemplated under the Construction Contracts are more than 25% but lower than 100%.

REMEDIAL ACTION

For re-compliance with Rule 14.40 of the Listing Rules, the Company is seeking the written approval for the Group's entering into and performance of the Construction Contracts from Pacific Mind Development Limited, who is the holder of 840,000,000 issued shares of the Company (representing approximately 51.65% of the total issued shares of the Company). Upon obtaining such written approval, which the Company expects to receive on or before 11 July 2025, the Company will be able to comply with Rule 14.40 of the Listing Rules.

DEFINITIONS

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

“1st Construction Contract”	the construction contract entered into between Jiangsu Nanfang IT and the Contractor dated 24 October 2022 for Jiansu Nanfang IT’s engagement of the Contractor in relation to the undertaking of the construction of two factory buildings, namely, production line numbers 3 and 4
“2nd Construction Contract”	the construction contract entered into between Jiangsu Nanfang IT and the Contractor dated 24 October 2022 for Jiansu Nanfang IT’s engagement of the Contractor in relation to the undertaking of the construction of one factory building, namely, production line number 5 and the related waste storage facilities
“Acquisition of Lands”	acquisition of the Collectively-owned Land and the State-owned Lands pursuant to the Grant of Collectively-owned Land Contract and the Grant of State-owned Land Contracts
“Board”	the board of the Directors
“Collectively-owned Land”	the parcel of land numbered 2 on South side of Dongshan Road, JinTan District, Changzhou City* (常州市金壇區東山路南側地塊二), reaching MeiXuanZhiNeng* (美軒智能) to the east; Xincheng Road* (鑫城大道) to the south; Ketai Juere* (科泰絕熱) to the west and Dongshan Road* (東山路) to the north
“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)
“connected persons”	has the meaning ascribed to it under the Listing Rules
“Construction Contracts”	the 1st Construction Contract and the 2nd Construction Contract
“Contractor”	Jiangsu Xinxia Construction Limited* (江蘇鑫廈建設有限公司), a company incorporated with limited liability in the PRC

“Director(s)”	director(s) of the Company
“Grant of Collectively-owned Land Contract”	the contract dated 13 June 2022 entered into between Jiangsu Nanfang IT and Huaxing Community Residents Committee for acquisition of the land use rights of the Collectively-owned Land
“Grant of State-owned Land Contracts”	the three contracts all dated 8 October 2022 entered into between Jiangsu Nanfang IT and the Planning Bureau for acquisition of the land use rights of the State-owned Lands
“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 PRC
“Huaxing Community Residents Committee”	Changzhou City JinTan District Dongcheng Street Huaxing Community Residents Committee* (常州市金壇區東城街道華興社區居民委員會)
“Independent Third Party(ies)”	third party(ies) independent of and not connected with the Company and its connected persons
“Jiangsu Nanfang IT”	Jiangsu Nanfang Information Technology Company Limited* (江蘇南方信息技術有限公司), a company established in the PRC with limited liability, a wholly-owned subsidiary of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Planning Bureau”	Changzhou City JinTan District Natural Resources and Planning Bureau* (常州市金壇區自然資源和規劃局), a bureau established by the local government of JinTan District in Changzhou City
“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

“RMB”	Renminbi, the lawful currency of the PRC
“Source Photonics”	Source Photonics Holdings (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability
“Source Photonics Investment”	the acquisition of 8,235,293 class A preferred shares (representing approximately 4.00% shareholding) of Source Photonics
“State-owned Lands”	three parcels of land numbered 1, 3 and 4 on South side of Dongshan Road, JinTan District, Changzhou City* (常州市金壇區東山路南側地塊一、三及四), reaching MeiXuanZhiNeng* (美軒智能) to the east; Xincheng Road* (鑫城大道) to the south; Ketai Juere* (科泰絕熱) to the west and Dongshan Road* (東山路) to the north
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	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 Rumin
Chairman

Hong Kong, 2 July 2025

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