THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This Circular is issued by Nanfang Communication Holdings Limited (the "**Company**"). **If you are in any doubt** as to the action you should take, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser immediately.

If you have sold or transferred all your Shares of the Company, you should at once hand this Circular, the notice of the extraordinary general meeting (the "**EGM**") and attached proxy form to the purchaser or to the stockbroker or to the bank or to the agent through whom you effected the sale or transfer for onward transmission to the purchaser or transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase, or subscribe for securities of the Company.

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
IN RELATION TO
DISPOSAL OF THE SALE SHARES
AND
NOTICE OF EGM

Capitalised terms used in this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out from pages 6 to 29 of this circular.

A notice convening the EGM to be held at Unit 902, 9/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong at 3:00 p.m., on 15 September 2025 (Monday) or any adjournment is set out from pages EGM-1 to EGM-2 of this circular. A form of proxy for use at the EGM is enclosed.

Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form accompanying this circular in accordance with the instructions printed thereon appointing the chairman of the EGM as your proxy, to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than forty-eight (48) hours before the time of the EGM (or at any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjournment thereof, should you so wish and in such event, the form of proxy shall be deemed to be revoked.

25 August 2025

CONTENTS

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

"Antitrust Vetting"	the antitrust vetting of the Main Transactions under the applicable PRC laws and U.S. laws
"associates"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of Directors
"Business Day(s)"	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
"Century Planet"	Century Planet Limited, a company incorporated with limited liability in BVI and a wholly-owned subsidiary of the Company
"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)
"Circular Exchange Rate"	the exchange rate of US$1 to RMB7.18 for the sole purpose of disclosure in this circular
"Company"	Nanfang Communication Holdings Limited, a company incorporated in the Cayman Islands with limited liability, 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 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)"	the 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 held on 15 September 2025 at 3:00 p.m. for the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereby
"Gold Image"	Gold Image Limited, a company incorporated with limited liability in BVI which 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
"IFRS"	International Financial Reporting Standards
"Independent Third Party(ies)"	third party(ies) independent of and not connected with the Company and its connected persons
"Latest Practicable Date"	20 August 2025, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
"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
"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 the Shareholder's Loan pursuant to the Subscription Agreement
"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
"Parties"	parties to the Sale and Purchase Agreement
"PRC"	the People's Republic of China which, for the purpose of this circular, excludes Hong Kong, Macau Special Administrative Region of the People's Republic of China 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
"SFO"	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"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$23,038,052 which Gold Image was indebted to Mr. Lin
"SPV2"	Venus Pearl SPV2 Co Limited, a company incorporated in the Cayman Islands which is principally engaged in investment holding
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Subscription Agreement"	the agreement dated 18 September 2020 entered into between Century Planet, Gold Image and Mr. Lin
"Target Company"	Source Photonics Holdings (Cayman) Limited, a company incorporated in the Cayman Islands with limited liability
"Target Group"	the Target Company and its subsidiaries
"US$"	United States dollar(s), the lawful currency of the United States of America
"Valuation"	the 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

"Valuation Report"	the report of Valuation issued on 25 August 2025 by the Valuer, the text of which is set out in Appendix IV
"Valuer"	APAC Asset Valuation and Consulting Limited, an independent professional valuer engaged by the Company
"%"	per cent.

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

Any reference to a time of a day or date in this circular is a reference to Hong Kong time or date.

In the event of any inconsistency, the English text of this circular shall prevail over the Chinese text.

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)

Executive Directors:
Mr. Shi Ming *(Chief Executive Officer)*
Ms. Yu Rumin *(Chairman)*
Ms. Yu Ruping

Non-executive Director:
Mr. Yu Jinlai

Independent Non-executive Directors:
Mr. Chan Kai Wing
Mr. Liu Cheng Yi
Ms. Ju Hefeng

Registered office:
Cricket Square, Hutchins Drive
P.O. Box 2681, Grand Cayman
KY1-1111, Cayman Islands

Principal place of business in Hong Kong:
Unit 902, 9/F., Capital Centre
151 Gloucester Road
Wanchai, Hong Kong

25 August 2025

To: The Shareholders of Nanfang Communication Holdings Limited

Dear Sir / Madam,

VERY SUBSTANTIAL DISPOSAL IN RELATION TO DISPOSAL OF THE SALE SHARES AND NOTICE OF EGM

INTRODUCTION

Reference is made to the announcement of the Company dated 23 June 2025 in relation to the Disposal. 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 Circular Exchange Rate).

The purpose of this circular is to provide you with, among others, (i) further details of the Disposal; (ii) the Valuation Report; (iii) other information as required under the Listing Rules; and (iv) a notice of EGM.

SALE AND PURCHASE AGREEMENT

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

Date

13 June 2025

Parties

(1) Pacific Smart;

(2) the Purchaser;

(3) 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 and its basis

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 Circular 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 (the "**Warrantors**") 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.

The aforesaid extensive representations and warranties basically cover the accuracy of the Target Group's capital structure, legality of its running of business, ownership of its assets, accuracy of financial statements, tax clearance, litigations, and undertakings in keeping the Target Group to maintain its normal running of business pending completion of the Main Transactions. The Warrantors are required to provide much more extensive representations, warranties and undertakings and bear more stringent burden of compensation, as they are entitled to nominate half of the members of the board of directors of the Target Company and can therefore materially influence the management and daily operation of the Target Group. Save as disclosed above, there are no material differences between the other Disposal terms and the terms applicable to the Majority Vendors in the Master 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.

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 RMB181.8 million, if converted at the Valuation Exchange Rate; and equivalent to approximately RMB179.5 million, if converted at the Circular 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 of the Sale Shares adopted the market approach. The Board considers that this approach was selected as the most appropriate for this transaction, as it accounts for the valuation of a business entity by comparison of the prices at which other companies or interests of similar business nature under arm's length transactions, based on the theory of the approach that one would not pay more than one would have to pay for an equally desirable alternative. It was also considered appropriate given the availability of comparable companies in the market, and that the Target Company is expected to sustain its existing business operations. Under the market approach, the target under valuation was compared against public companies listed in Hong Kong, Shenzhen or Shanghai Stock Exchange operating in a comparable market and industry sector (namely, optical assemblies, modules and transmission component manufacturing business), with this scope taking into account similar capital investment requirements, and overall industry fluctuations and market performance being universal factors impacting both the Target Company and comparable companies. A price-to-earnings (or P/E) valuation multiple was used, considering the fact that the P/E multiple is commonly used for companies such as the Target Company with significant businesses operating in the optical assemblies, modules and transmission component manufacturing business with adjustments made for being a minority shareholder in a non-public company. The Valuation was based on certain principal factors, including, amongst others, the maturity of the Target Company, the economic and industry conditions in which the Target Company operates, and the business and other risks associated with this industry; and certain assumptions, including, amongst others, that there will be no material changes to the existing political, taxation, legal, technological, fiscal or economic conditions in relation to businesses licensed to conduct regulated activities, all licenses and permits that are essential for operation can be obtained and are renewable upon expiry, no material changes to the operating conditions material to revenue and costs for the businesses to conduct business, and the retention of competent management and key personnel. Accordingly, the entire issued share capital of the Target Company was valued at approximately US$621 million and the Sale Shares (i.e. 4% of the shareholdings of the Target Company) was accordingly valued at approximately US$25 million as at the Valuation Date.

Based on the above factors, the Board considers that the Valuation (including its valuation method, multiple and assumptions) has been conducted in a fair and reasonable manner.

Payment of Consideration

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

1. the 1st instalment of US$2,518,105.54 (equivalent to approximately RMB18.1 million, converted at the Circular 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;

2. the 2nd instalment of US$3,777,158.31 (equivalent to approximately RMB27.1 million, converted at the Circular 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

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

The Valuation

According to the Valuation prepared by the Valuer engaged by the Purchaser, the Target Company was valued at approximately 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 Circular 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 4.00% 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.

In arriving at the accessed value of the Target Company, the Valuer has considered the following three approaches, namely, income approach, cost approach and market approach:

(i) Income approach: provides an indication of value by converting future cash flows to a single current asset value and is commonly applied to an aggregation of assets consisting of all assets of a business enterprise, including working capital and tangible and intangible assets. Value is derived based upon the present worth of economic benefits of ownership of asset.

(ii) Cost approach: provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. Value is established based on cost of reproducing or replacing the asset, less depreciation or amortization from functional and economic obsolescence, if present and measurable.

(iii) Market approach: provides an indication of value by comparing a business, business ownership interest, security, or intangible asset with identical or comparable subjects for which the pricing information is available. Value is established based on the principle of comparison, meaning that if one thing is similar to another and could be used for the other, then they must be similar. Furthermore, the price of two alike and similar items should be approximate to one another.

The guideline public company method ("**GPCM**") is one of the methods under the market approach. This method estimates the value of a business by reference to the valuation multiples of publicly listed comparable companies with similar business models, capital structure, risk profiles and growth aspects. This is one of the most commonly used methods for the valuations of private companies.

In the Valuation, the cost approach is considered by the Valuer as not appropriate since it ignores the economic benefits of ownership of the business. The income approach is not adopted in the Valuation as the cash flow projections for the business of the Target Company would require numerous assumptions on projected growth/changes in revenue streams, cost of revenue, operating expenses, administrative expenses, projected movements in working capital balances, and expected capital expenditure. Such assumptions and estimations are therefore not easily verifiable, supportable or reliably measured. As the market approach is a common valuation method for operating companies like the Target Company, the Valuer has therefore adopted the market approach in conducting the Valuation.

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 has adopted the GPCM under the market approach, and the multiples applicable to the Target Company are derived with reference to the valuation multiples of the comparable companies of the Target Company. 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.

For further details of the Valuation Report, please refer to Appendix IV to this circular.

Conditions Precedent

Completion is conditional upon fulfilment of the following conditions (or waiver of any of the conditions (d) to (g) by Pacific Smart, or waiver of any of the conditions (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 conditions precedent;

(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 conditions precedent.

Condition (h) cannot be waived by the Purchaser.

For fulfilment of the Antitrust Vetting requirements, some of the subsidiaries of the Target Company will be spined off and ceased to be subsidiaries of the Target Company upon completion of the Reorganization. As at the Latest Practicable Date, the relevant parties have already taken steps for fulfilment of the conditions for the Reorganization. It is expected that the Reorganization will complete by the end of September 2025. As at the Latest Practicable Date, only conditions (d) and (e) have been fulfilled, whilst none of the other conditions mentioned above has been fulfilled or waived.

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 two of the Other Vendors (who in aggregate hold approximately 37.7% shareholding in the Target Company) cannot or has not obtained the approval from their investors for their entering into and performance of the Master Agreement, the Master Agreement will be automatically terminated.

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 the respective 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 the 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

The 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.

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 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	**Year ended 31 December 2023**
	RMB'000	*RMB'000*
	(Audited)	(Audited)
Financial assets at fair value through profit or loss ("**FVTPL**")		
Opening balance	154,121	167,150
Change in fair value of financial asset 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. 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 2024. The positive change in fair value of the Target Company for the year ended 31 December 2024 is due to the positive fluctuation of exchange rate and the slightly upward of valuation on the Target Company as at 31 December 2024.

In preparing the valuation of the Target Company, the Company has engaged the Valuer and relied on market comparables as set out in Appendix IV. For the reason that, the Purchaser has not made disclosure of details of comparables they adopted in their valuation, and the Company does not have access to, and is unaware of, the specific comparables used by the Purchaser in its valuation. Therefore, the Company is unable to compare the market comparables used by the Company and Purchaser.

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)

The change of the Target Company's financial results from loss to profit is primarily driven by favorable industry-wide demand in 2024. Firstly, the accelerated adoption of high speed optical module in AI infrastructure and hyperscale data center which increased the demand for the Target Company's optical communication components (including high-speed transceivers and modulators) to support energy-efficient computing. Secondly, the expanded deployment of 5G networks and edge computing infrastructure, requiring advanced photonic solutions for low-latency data transfer, also increased demand for the Target Company's product portfolio.

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 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 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 EFFECTS 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 Circular Exchange Rate), the net cash proceeds for the Disposal are estimated to be approximately RMB179.3 million. The Group intends to use all the net cash proceeds from the Disposal for early repayment of loans borrowed by the Group from a bank as follows:

(a) approximately RMB60,000,000 fully prepay a loan which will mature on 31 December 2025;

(b) approximately RMB60,000,000 fully prepay three loans and partial repay a loan of RMB50,000,000 which will mature within the year of 2026;

(c) approximately RMB56,000,000 fully prepay two loans which will mature within the year of 2027; and

(d) approximately RMB4,000,000 fully prepay two loans which will mature within the year of 2028.

The Company considered that the early repayment of loans can reduce the Group's financial expenses and hence increase the Group's liquidity and financial stability. The borrowing bank confirmed that the early repayment of loans will not incur additional bank charges subject to a 30 days' notice in advance.

REASONS FOR AND BENEFITS OF THE DISPOSAL

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.

The Board considered that the Original Acquisition was an investment in the businesses of the Target Group that will (i) provide the Company with potential business opportunities and co-operation which can leverage on its optical fibre cable supplies; (ii) enable the Group to become a strategic partner of the Target Group; (iii) expand the Group's product and service lines for telecommunication operators and supporting services providers and enhance its competitiveness; (iv) allow the Company to tap into the advanced technology products in the telecommunication industry; (v) expand its exposure in the overseas markets; and (vi) provide the Group with an opportunity to establish a joint venture for production of transceivers.

The Original Acquisition constituted a discloseable transaction of the Company under the Listing Rules and the details of which were disclosed in the Company's announcements dated 18 September 2020 and 31 December 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.

Subsequently, 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 8,235,293.

On 23 June 2024, Pacific Smart entered into a formal sale and purchase agreement with Vantone Neo Development Group Co. Ltd ("**Vantone**") for the disposal of the Sale Shares at the consideration of US$21,559,218 (equivalent to approximately RMB156.6 million, calculated at the prevailing exchange rate on 23 June 2024) ("**2024 Disposal**"). On 23 September 2024, 31 October 2024 and 31 December 2024, Pacific Smart further entered into a supplemental agreement, 2nd supplemental agreement and 3rd supplemental agreement with Vantone respectively for the reason that further time is required for Vantone to obtain the necessary approvals from the relevant regulatory authorities in the PRC. Eventually, on 24 January 2025, Pacific Smart received a written notice from the Purchaser for termination of the 2024 Disposal.

In light of the termination of the 2024 Disposal in early 2025, the Company has been continuing to look for potential purchaser(s) for the Sale Shares.

As at the Latest Practicable Date, the Group has not received any dividend from the Target Group since the Original Acquisition.

On 13 June 2025, Pacific Smart and the Purchaser Group entered into the Sale and Purchase Agreement in respect of the Sale Shares. 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.

Furthermore, 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 increased the bargaining power of Pacific Smarts and Other Vendors in maximizing the return from the Disposal and provided the Purchaser a greater incentive to acquire the Target Company for the reason that a more meaningful and influential stake can be achieved in the Target Company by acquiring 97.48% shareholding of the Target Company. In contrast, if Pacific Smarts was the only shareholder of the Target Company who sold its shareholding to the Purchaser or any other person, the Purchaser will have less incentive to acquire such minority interest in the Target Company, and if it so happens, the Purchaser may only be willing to purchase at discount. As such, the Company considered the Disposal alongside the Other Vendors have 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.

The key differences between the Disposal and the 2024 Disposal are the consideration and condition precedents. The consideration increased from approximately US$21.6 million in the 2024 Disposal to approximately US$25.2 million in the Disposal. The condition precedents for the Disposal requires the passing of the Antitrust Vetting and the completion of Reorganization, while it is not a condition precedent for the Disposal to obtain no objection from the China Securities Regulatory Commission, the Shanghai Stock Exchange, and other relevant regulatory authorities as required in the 2024 Disposal.

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.

EFFECT ON THE SHAREHOLDINGS STRUCTURE OF THE TARGET COMPANY

As at the Latest Practicable Date, the Target Company has 205,714,886 shares in issue (inclusive of ordinary shares, class A preference shares, class B preference shares and class C preference shares). The table below sets out the shareholding structure of the Target Company (i) as at the Latest Practicable Date; and (ii) immediately upon completion of the Disposal and Main Transactions:

		As at the Latest Practicable Date	
Shareholders	*Class of shares*	*Number of shares*	*Approximate % of Shareholding*
Diamond Hill, L.P.#	Ordinary shares	64,215,686	31.2159%
	Class A Preference shares	4,162,483	2.0234%
	Class B Preference shares	3,602,585	1.7513%
	Sub-total	71,980,754	34.9905%**
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 shares	5,263,158	2.5585%
	Class A Preference shares	297,134	0.1444%
	Sub-total	5,560,292	2.7029%**
Planetary Gear Limited	Ordinary shares	14,357,928	6.9795%
TR Capital (Source Photonics) Limited	Ordinary shares	12,254,902	5.9572%
Asia-IO SO2 SPV Limited	Ordinary shares	3,560,372	1.7307%
Dark Pool Limited Partnership	Ordinary Shares	347,954	0.1691%
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 Preference shares	24,705,879	12.0098%

Shareholders	*Class of shares*	**As at the Latest Practicable Date** *Number of shares*	*Approximate % of Shareholding*
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 Preference shares	12,352,940	6.0049%
FinTrek China Industry Power Investment Fund Limited Partnership	Class A Preference shares	8,235,293	4.0033%
Pacific Smart	Class A Preference shares	8,235,293	4.0033%
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 Preference shares	299,924	0.1458%
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 Preference shares	14,635,500	7.1145%
Sunny Faith Holdings Limited	Class B Preference shares	900,646	0.4378%
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 Preference shares	13,672,151	6.6462%
V-Capital Zhigeng International Co., Limited#	Class C Preference shares	9,429,070	4.5836%
V-Capital International Holding Co., Limited	Class C Preference shares	5,185,988	2.5210%
Total		**205,714,886**	**100.0000%****

** The aggregate of the percentage figures in the table above may not add up to the relevant "Total" or "Sub-total" percentage figures shown due to rounding of the percentage figures to thousand this decimal place.

The above shareholders' names with "#" are the Majority Vendors.

Shareholders	*Class of shares*	**Immediately upon completion of the Disposal and Main Transactions** *Number of shares*	*Approximate % of Shareholding*
Purchaser	Ordinary shares	100,000,000	48.6110%
	Class A Preference shares	58,288,946	28.3348%
	Class B Preference shares	19,138,731	9.3035%
	Class C Preference shares	23,101,221	11.2297%
	Sub-total	200,528,898	97.4790%
V-Capital International Holding Co., Limited	Class C Preference shares	5,185,988	2.5210%
Total		**205,714,886**	**100.0000%**

LISTING RULES IMPLICATION

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.

WAIVER FROM STRICT COMPLIANCE WITH RULE 14.68(2)(A)(I) OF THE LISTING RULES

The Company has applied for, and the Stock Exchange has granted, a waiver from strict compliance with the requirements under Rule 14.68(2)(a)(i) of the Listing Rules based on the following grounds:

(a) Since the acquisition of the Sale Shares, the Company's investment in the Target Company (i.e. the Sale Shares) has been categorised as a financial investment valued by fair value through profit or loss (FVTPL) approach during the Company's annual audit and the Company has never consolidated the financial statements of the Target Company into the Company's financial statements.

(b) Pacific Smart is a minority shareholder which holds only approximately 4.00% shareholding in the Target Company as at the Latest Practicable Date. Therefore, save and except the Target Company's shareholders' meeting, the Company only has minimal involvement in the Target Company's daily business and the Company has no right to request additional financial information (for example, underlying management accounts of the Target Company) regarding the Disposal. The Target Company has refused the Company's repeated requests for the relevant financial information and supporting documents of the Target Company for the Company's auditor to perform the required review works on the financial information of the Target Company required by Rule 14.68(2)(a)(i) of the Listing Rules.

(c) The audited consolidated financial statements of the Target Company for the three years ended 31 December 2022, 2023 and 2024 and the three months ended 31 March 2025 were prepared in accordance with the Chinese Accounting Standards. The Chinese Accounting Standards were adopted for the purpose of complying with the requirements of the "Rules in relation to Material Assets Reorganisation"* (重大資產重組相關法律法規). Meanwhile, the Company adopts IFRS for its audited consolidated financial statements. As such, the Company is unable to provide a reconciliation between the Chinese Accounting Standards and the IFRS in respect of the audited consolidated financial statements of the Target Company, as the Company is unable to obtain the relevant underlying management accounts and supporting documents of the Target Company for reasons stated in paragraph (b) above.

(d) As an alternative disclosure, the Appendix II to this circular contains the summaries of (i) the consolidated statements of financial position of the Target Company as at 31 December 2022, 2023 and 2024 and as at 31 March 2025; (ii) the consolidated statements of profit or loss and other comprehensive income; (iii) the consolidated statements of cash flows: and (iv) the consolidated statement of changes in equity of the Target Company for each of the three years ended 31 December 2022, 2023 and 2024 and the three months ended 31 March 2025. All the audited consolidated financial statements of the Target Company mentioned above were audited by its PRC auditors which are Certified Public Accountants practising in the PRC. As the PRC auditors of the Target Company have refused the Company's request for giving their consent for inclusion of the audited consolidated financial statements of the Target Company for the three years ended 31 December 2022, 2023 and 2024 and the three months ended 31 March 2025 in this circular, the Company can only provide the summaries of the Target Company's financial information mentioned above.

(e) Although the Company is unable to disclose the full audited financial statements and reports of the Target Company for the three financial years ended 31 December 2022, 2023 and 2024 and the three months ended 31 March 2025 in this circular, the Directors believe that the summaries of the financial information of the Target Company as disclosed in Appendix II already contain all the key historic financial information of the Target Company and can enable the Shareholders to have a good understanding of the financial performance of the Target Company.

(f) The PRC auditor who prepared the audited consolidated financial statements of the Target Company for the three financial years ended 31 December 2022, 2023 and 2024 and the three months ended 31 March 2025 is qualified as one of the approved PRC accounting firms eligible for acting as reporting accountants and/or auditors of companies incorporated in the PRC which are listed in the main board or GEM of the Stock Exchange. It shows that the Target Company's PRC auditor is a sizeable accounting firm with sufficient corporate governance, quality controls and internal controls for meeting the stringent criteria laid down by the PRC Ministry of Finance in order to obtain such qualification. Furthermore, the PRC auditor has issued an unqualified opinion on the financial position of the Target Company in the consolidated audited financial statements for each of the three years ended 31 December 2022, 2023 and 2024 and the three months ended 31 March 2025. Thus, the Directors are confident that the audited financial information of the Target Company as summarized in Appendix II is reliable and can be used for the Shareholders to make an informed decision.

(g) The fair values of the Sale Shares as unlisted equity shares for the three financial years ended 31 December 2022, 2023 and 2024 assessed by market approach as extracted from the Company's annual reports were RMB167,150,000, RMB154,121,000, and RMB161,278,000 respectively and further details of the changes in such fair values are also disclosed in the section headed "The Target Group" in this circular. The Directors consider that such information will assist the Shareholders to appraise the fair value of the Sale Shares and to assess whether or not the Consideration is fair and reasonable.

(h) The Valuation Report contained in Appendix IV to this circular and disclosed under the section headed "The Valuation" on pages IV-1 to IV-22 in this circular provides the Shareholders with the information on how the Valuer calculated and concluded that the value of 100% shareholding of the Target Company was approximately US$621 million (equivalent to approximately RMB4,515 million, converted at the Valuation Exchange Rate) as at the Valuation Date by adopting market approach. Having considered that (i) the information relied upon by the Valuer for conducting the Valuation came from reliable sources; (ii) the assumptions made by the Valuer and the calculations of the market value are reasonable and conform to the market practice in conducting valuation of business by market approach, the Directors consider that the Valuation and the Valuer's conclusion on the market value of the Target Company are fair and reasonable.

Given the constraints mentioned above for the Company to obtain and/or disclose the financial information of the Target Company and the fact that the Board has considered the Disposal with regard to the available financial information of the Target Company, the Board considers that the alternative disclosure provides sufficient information for the Shareholders to assess the Target Company's historic financial performance and to make an informed decision. Hence, the grant of waiver by the Stock Exchange will not result in any undue risks to the Shareholders.

EGM

Set out on pages EGM-1 to EGM-2 is a notice convening the EGM to be held at Unit 902, 9/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong at 3:00 p.m., on 15 September 2025 (Monday) or any adjournment at which resolution will be proposed to the Shareholders to consider and, if thought fit, approve the Sale and Purchase Agreement and the transactions contemplated thereby.

A form of proxy for use at the EGM is enclosed with this circular. Whether or not you are able to attend the EGM, you are requested to complete and return the proxy form accompanying this circular in accordance with the instructions printed thereon appointing the chairman of the EGM as your proxy, to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible and in any event not later than forty-eight (48) hours before the time of the EGM (or at any adjournment thereof). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM, or any adjournment thereof, should you so wish and in such event, the form of proxy shall be deemed to be revoked.

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.

Pursuant to Article 66(1) of the articles of association of the Company and Rule 13.39(4) of the Listing Rules, a resolution put to vote at a general meeting of the Company must be decided by way of a poll save that the chairman of the meeting may in good faith allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. Accordingly, the resolution to be proposed at the EGM will be voted by way of a poll by the Shareholders.

RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that terms of the Sale and Purchase Agreement are fair and reasonable and that the Disposal is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

Accordingly, the Directors recommend the Shareholders to vote in favour of the ordinary resolution set out in the notice of EGM enclosed with this circular.

ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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.

By Order of the Board
Nanfang Communication Holdings Limited
Yu Rumin
Chairman

1. AUDITED CONSOLIDATED FINANCIAL STATEMENTS

The audited consolidated financial statements, together with the accompanying notes to the financial statements, of the Group for the three years ended 31 December 2022, 2023 and 2024 are disclosed in the following documents which have been published on the website of the Stock Exchange (http://www.hkexnews.hk) and on the website of the Company (www.jsnfgroup.com).

- 2024 Annual Report, pages 53 to 128:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0429/2025042901005.pdf

- 2023 Annual Report, pages 51 to 128:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042604515.pdf

- 2022 Annual Report, pages 50 to 132:

  https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0427/2023042703785.pdf

2. SUFFICIENCY OF WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal resources and the net cash proceeds expected to be received from the Disposal, the working capital available to the Group is sufficient to satisfy its present requirements for at least the next 12 months from the date of this circular in the absence of unforeseen circumstances.

3. INDEBTEDNESS STATEMENT

As the close of business on 30 June 2025, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the total indebtedness of the Group was as follows:

	RMB'000
Bank borrowings – Unsecured and guaranteed *(note a)*	259,000
Other payables *(note b)*	1,615
	260,615

a. Bank borrowings

At 30 June 2025, bank borrowings of approximately RMB259,000,000 carry interest at variable market interest rates ranging from 2.2% to 3.3% per annum.

All bank borrowings are denominated in the functional currency of the group entities at 30 June 2025.

b. Other payable

At the close of business on 30 June 2025, there was other payable of RMB654,000 due to advance from the ultimate holding company and RMB961,000 due to a director. The amounts are unsecured, interest-free and repayable on demand.

Save as aforesaid, and apart from intra-group liabilities, as at 30 June 2025, being the most recent practicable date for the purpose of this indebtedness statement prior to the printing of this circular, the Directors were not aware of the Group having any other debt securities, any outstanding loan capital, any lease liabilities, any borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptances (other than normal trade bills) or other similar indebtedness, debentures, pledges, mortgages, charges, finance leases, guarantees or other material contingent liabilities.

4. NO MATERIAL ADVERSE CHANGE

The Directors confirmed that there was no material adverse change in the financial or trading position or outlook of the Group since 31 December 2024 (being the date to which the latest audited consolidated financial statements of the Group were made up) and up to and including the Latest Practicable Date.

5. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

The Group is a well-established supplier for optical telecommunication products in the PRC and its customers principally include national and regional telecommunications network operators and telecommunications supporting services providers in the PRC.

Looking ahead, the demand for optical fibre cables will continue to be driven by the convergence of the digital and real economies, rapid deployment of 5G infrastructure, expanded broadband network coverage, and surging demand from the power sector. As the backbone of modern communication networks, optical fibre cables remain the primary medium and indispensable infrastructure components for information transmission to support the foundation for computational capability in the AI era and the development of digital economy. Market forecasts suggest that China's optical fibre and cable industry will enter a new phase of transformation and enhancement, propelled by technological advancements, rising demand, and the accelerated roll-out of 5G networks. The ongoing expansion of 5G and high-performance computing networks is expected to create significant growth opportunities in both domestic and international markets.

As digitalization accelerates globally, investments in communication network infrastructure are intensifying across developed and emerging markets alike. This trend is fueling rapid growth in global demand for optical fibre cables, particularly in Europe, Asia, Southeast Asia, Africa, and Latin America. According to CRU Group, the worldwide demand for optical cables is projected to grow at a compound annual rate of approximately 4% from 2023 to 2027, reaching over 650 million fibre kilometers by 2027. Reports and Data further estimates that the global optical fibre market will reach USD11.18 billion by 2030, with a compound annual growth rate of around 9.3%.

On the other hand, the PRC government continues to implement policies aimed at strengthening the information and communication sector. Initiatives include the development of "dual-gigabit" networks, piloting ten-gigabit optical networks, and advancing the construction of computing power centers to foster a "networked computing" environment. These measures are accelerating the integration of computing power across sectors such as transportation, finance, education, healthcare, technology, and energy. The establishment of a national integrated computing power network is expected to drive digital transformation and industrial upgrading, further advancing new industrialization and the digital economy in the PRC.

The Group will remain focused on its core business, aiming to consolidate and expand its market share while continuously enhancing its product offerings to meet the growing demands for 5G technology, broadband, and data center connectivity. By leveraging rapid development in its optical device businesses, the Group will intensify research and development of large-capacity, low-latency, and wide-coverage optical fibre cable products to address emerging applications in AI and high-performance computing. The Group is committed to exploring new business opportunities, targeting substantial progress in sectors such as data centers, the industrial internet, and new energy vehicles, to ensure sustainable and stable growth.

The net cash proceeds from the Disposal are estimated to be approximately RMB179.3 million. Such net cash proceeds can strengthen the Group's cash position and will be used for repayment of existing bank loans which have been utilized as general working capital for the daily operations of the Group and hence increase liquidity and financial stability.

6. MANAGEMENT DISCUSSION AND ANALYSIS OF THE GROUP

It is expected that the Disposal will not give rise to any material adverse impact to the operations of the Group.

Set out below is the management discussion and analysis of the Group for each of the three years ended 31 December 2022, 2023 and 2024 as derived from the annual reports of the Company for each of the three years ended 31 December 2022, 2023 and 2024 respectively.

For the year ended 31 December 2022

1. Business Overview

For the year ended 31 December 2022 ("**FY2022**"), the Group recorded an increase of total revenue by 44.6% to approximately RMB633.7 million (for the year ended 31 December 2021 ("**FY2021**"): approximately RMB438.3 million). The gross profit of the Group was approximately RMB57.4 million (FY2021: approximately RMB13.0 million), representing a significant increment of approximately 343.0%. The Company reported a loss and total comprehensive expense for the year attributable to owners of the Company of approximately RMB8.1 million (FY2021: approximately RMB59.9 million). During FY2022, the Company's basic loss per share was approximately RMB0.01 (FY2021: approximately RMB0.05).

2. *Financial Review*

Revenue

Revenue of the Group represents revenue derived from manufacturing and sales of optical fibre cables and optical distribution network devices as well as processing and sales of prepainted steel sheet. During FY2022, the Group's total revenue was approximately RMB633.7 million, representing an increase of 44.6% from approximately RMB438.3 million for FY2021.

By product segment, revenue of approximately RMB569.9 million was contributed by the optical fibre cables and optical distribution network devices segment, representing an increase of approximately 59.8% as compared to FY2021 of approximately RMB356.8 million. This accounted for 89.9% (FY2021: 81.4%) of the Group's revenue.

On the other hand, revenue of approximately RMB63.8 million was contributed by prepainted steel sheet segment, representing a decrease of approximately 21.8% as compared to FY2021 of approximately RMB81.5 million. This accounted for 10.1% (FY2021: 18.6%) of the Group's revenue.

Cost of sales

For FY2022, the cost of sales of the Group amounted to approximately RMB576.3 million, representing an increase of approximately 35.5% from approximately RMB425.4 million for FY2021.

Gross profit and gross profit margin

Gross profit of the Group increased by approximately 343.0% to approximately RMB57.4 million for FY2022 from approximately RMB13.0 million for FY2021. During FY2022, the Group's gross profit margin was approximately 9.1% as compared to a gross profit margin of approximately 3.0% for FY2021. There was an overall increase in tender prices for optical fibre cables in the industry, the Group's awarded tender prices have increased. Coupled with the strict control over the cost of production, it resulted in a multiplication on the Group's gross profit and gross profit margin.

Other income, gains, expenses and losses, net

The Group recorded a net gain of approximately RMB29.5 million for FY2022 as compared to approximately RMB23.0 million for FY2021. The increase was mainly attributable to the recognition of larger net foreign exchange gains and other sales income during FY2022.

Selling and distribution expenses

The Group incurred selling and distribution expenses of approximately RMB19.6 million for FY2022 which has increased by approximately 8.8% compared to approximately RMB18.0 million for FY2021. The Group scaled up its operations during FY2022, and this led to an increase in transportation expenses.

Administrative expenses

The Group's administrative expenses decreased by approximately 14.1% to approximately RMB45.9 million for FY2022 from approximately RMB53.4 million for FY2021. The decrease was mainly due to an equity-settled share-based payment expenses amounting to approximately RMB0.7 million for FY2022, whereas such expenses of approximately RMB14.9 million was recorded in FY2021.

Research costs

The Group's research costs rose by approximately 34.4% to approximately RMB38.9 million for FY2022 from approximately RMB29.0 million for FY2021. The increase was mainly attributable to the deployment of more resources to enhance product quality and structural transformation as well as development of new products.

Finance costs

During FY2022, the Group's finance costs decreased by approximately 10.7% to approximately RMB7.7 million from approximately RMB8.6 million for FY2021. This was mainly due to the interest rate of the bank borrowings dropped. As a result, the finance costs decreased as compared to FY2021.

Income tax expense/credit

During FY2022, the Group incurred an income tax expense of approximately RMB2.3 million as compared to an income tax credit of approximately RMB10.2 million recorded for FY2021. The change was due to additional tax provision for deferred tax liabilities arising from probable distributable profits of subsidiaries.

Loss and total comprehensive expense attributable to owners of the Company

The Company incurred a loss and total comprehensive expense attributable to owners of approximately RMB8.1 million for FY2022 as compared to approximately RMB59.9 million for FY2021.

3. Currency risk

While the Group's operations were principally conducted in the PRC during FY2022 and it mainly recorded sales and incurred production costs and expenses in RMB, the Group has certain bank deposits and balances, advance from the ultimate holding company, amount due to a director and a bank borrowing denominated in foreign currencies other than RMB. The Group may use any contracts to hedge against its exposure to currency risk, as appropriate. The Directors have managed the foreign currency risk by closely monitoring the movement of the foreign currency rate.

4. Charge on the Group's assets

As at 31 December 2022, the Group pledged certain of its bank deposits with original maturity more than three months and restricted bank deposits totaling approximately RMB174.3 million (as at 31 December 2021: approximately RMB51.1 million) to secure bank borrowings, bills payable and a letter of guarantee issued by a bank.

5. Gearing ratio

As at 31 December 2022, the gearing ratio of the Group, which was calculated by dividing the total liabilities by the total equity, was approximately 92.1% (FY2021: approximately 77.2%).

6. Liquidity and Financial Resources

During FY2022, the Group's operational and capital requirements were financed principally through share capital, reserves, bank borrowings, loan from a joint venture and an amount due to a director.

7. Contingent Liabilities

As at 31 December 2022, the Group did not have any material contingent liabilities.

8. Employees and Remuneration Policies

As at 31 December 2022, the Group had approximately 320 employees (as at 31 December 2021: approximately 320). For FY2022, the Group incurred staff costs of approximately RMB36.5 million (FY2021: approximately RMB50.5 million). As required by applicable laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed periodically with reference to the then prevailing market employment practices and legislation.

9. Capital Commitments

As at 31 December 2022, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB122.7 million (FY2021: nil).

10. Future Plans for Material Investments

As at 31 December 2022, the Group did not have any plans for material investments.

11. Significant Investment Held

As at 31 December 2022, the Group held the following significant investments:

(i) Jiangsu Nanfang Communication Technology Company Limited* (江蘇南方通信科技有限公司) ("**Nanfang Communication**"), holds 49% of the shareholding in Jiangsu Nanfang Optic Electric Technology Company Limited* (江蘇南方光纖科技有限公司) ("**Nanfang Optic**"), and made a total investment of approximately RMB73.5 million up to 31 December 2022. Nanfang Optic is a company incorporated in the PRC which is principally engaged in the manufacturing and sales of optical fibre. No market fair value was available as at 31 December 2022 as this is a private company. The investment is intended to be held for a long term. During FY2022, the Group shared an associated profit of approximately RMB11.6 million (FY2021: approximately RMB77,000) in respect of its investment in Nanfang Optic.

(ii) Nanfang Communication also holds 51% of the shareholding in Jiangsu Yingke Optical Material Technology Company Limited* (江蘇盈科光導科技有限公司) ("**Yingke Optical Material**"), and made a total investment of approximately RMB76.5 million up to 31 December 2022. Yingke Optical Material is principally engaged in the manufacturing and sales of optical fibre preforms. No market fair value was available as at 31 December 2022 as this is a private company. The investment is intended to be held for a long term. During FY2022, the Group shared a profit of approximately RMB9.2 million (FY2021: approximately RMB4.6 million) in respect of its investment in Yingke Optical Material.

(iii) Pacific Smart owned certain number of class A preferred shares of SPV2, representing less than 5% of its then total issued share capital before the Reorganisation (as defined below). SPV2 is a company incorporated in the Cayman Islands which is principally engaged in investment holding. SPV2 indirectly held the entire issued shares of the Target Company. The Target Group is a leading global provider of advanced technology solutions for optical communications and data connectivity.

In December 2022, SPV2, being the indirect shareholder of the Target Company, procured the sole shareholder of the Target Company to pass a written resolution approving (i) a repurchase, redesignation and reclassification of the entire issued shares of the Target Company; and (ii) a share exchange. Pursuant to the Reorganisation, all the issued shares of the Target Company indirectly held by SPV2 was repurchased, redesignated and reclassed, and the shareholders of SPV2 agreed with SPV2 to exchange their respective shares in SPV2 for the same type of shares of the Target Company. As such, upon the completion of the Reorganisation in December 2022, Pacific Smart exchanged the class A preferred shares of SPV2, for 8,116,697 class A preferred shares of the Target Company, representing approximately 4.03% of the total issued share capital of Target Company. The fair value of the investment was approximately RMB167,150,000 as at 31 December 2022 (as at 31 December 2021:

approximately RMB153,016,000), representing approximately 11.3% of the total assets of the Group. During FY2022, the Group had not received any dividend or recorded any investment gain/loss. The total investment contributed by the Group was approximately US$23 million up to 31 December 2022.

The investment was intended to be a long-term investment in view of the positive business synergies to be generated in the long run between the Company and the Target Group.

Save as aforesaid, the Company did not hold any other significant investments during FY2022.

12. Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During FY2022, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group.

For the year ended 31 December 2023

1. Business Overview

For the year ended 31 December 2023 ("**FY2023**"), the Group recorded a decrease of total revenue by approximately 17.6% to approximately RMB522.3 million (FY2022: approximately RMB633.7 million). The gross profit of the Group was approximately RMB70.7 million (FY2022: approximately RMB57.4 million), representing an increment of approximately 23.2%. The Company reported a profit and total comprehensive income for FY2023 attributable to owners of the Company of approximately RMB5.2 million (FY2022: loss and total comprehensive expense of approximately RMB8.1 million). During FY2023, the Company's earnings per share was approximately RMB0.003 (FY2022: basic loss per share of approximately RMB0.01).

2. Financial Review

Revenue

Revenue of the Group represents revenue derived from manufacturing and sales of optical fibre cables and optical distribution network devices as well as processing and sales of prepainted steel sheet. During FY2023, the Group's total revenue was approximately RMB522.3 million, representing a decrease of approximately 17.6% from approximately RMB633.7 million for FY2022.

By product segment, revenue of approximately RMB478.1 million was contributed by the optical fibre cables and optical distribution network devices segment, representing a decrease of approximately 16.1% as compared to FY2022 of approximately RMB569.9 million. This accounted for approximately 91.6% (FY2022: approximately 89.9%) of the Group's revenue.

On the other hand, revenue of approximately RMB44.1 million was contributed by prepainted steel sheet segment, representing a decrease of approximately 30.8% as compared to FY2022 of approximately RMB63.8 million. This accounted for approximately 8.4% (FY2022: approximately 10.1%) of the Group's revenue.

Cost of sales

For FY2023, the cost of sales of the Group amounted to approximately RMB451.6 million, representing a decrease of approximately 21.6% from approximately RMB576.3 million for FY2022.

Gross profit and gross profit margin

Gross profit of the Group increased by approximately 23.2% to approximately RMB70.7 million for FY2023 from approximately RMB57.4 million for FY2022. During FY2023, the Group's gross profit margin was approximately 13.5% as compared to a gross profit margin of approximately 9.1% for FY2022. While the unit selling price remaining fairly stable, the Group's gross profit and gross profit margin were boosted in the FY2023 owing to a significant drop in the cost of raw materials (including non-ferrous metals and some other chemical feedstocks) and a strict control of the overall production costs.

Other income, gains, expenses and losses, net

The Group recorded a net gain of approximately RMB17.0 million for FY2023 as compared to approximately RMB29.5 million for FY2022. The decrease was mainly attributable to the recognition of net foreign exchange losses during FY2023 whereas net foreign exchange gains were recognised for FY2022.

Selling and distribution expenses

The Group incurred selling and distribution expenses of approximately RMB19.5 million for FY2023 which has slightly dropped by approximately 0.5% compared to approximately RMB19.6 million for FY2022.

Administrative expenses

The Group's administrative expenses decreased by approximately 23.0% to approximately RMB35.3 million for FY2023 from approximately RMB45.9 million for FY2022 ascribed to the implementation of more stringent cost-control measures.

Research costs

The Group's research costs dropped by approximately 12.9% to approximately RMB33.9 million for FY2023 from approximately RMB38.9 million for FY2022. The change was mainly due to the completion of some product development projects during the year.

Finance costs

During FY2023, the Group's finance costs increased by approximately 20.8% to approximately RMB9.3 million from approximately RMB7.7 million for FY2022. This was mainly due to the bank borrowings and the general borrowing rate increased during FY2023. As a result, the finance costs increased as compared with FY2022.

Income tax credit/expense

During FY2023, the Group recorded an income tax credit of approximately RMB14.5 million as compared to an income tax expense of approximately RMB2.3 million incurred for FY2022, owing to an increase in income tax credit recognised under the laws of the PRC.

Profit/(Loss) and total comprehensive income/(expense) attributable to owners of the Company

The Company recorded a profit and total comprehensive income attributable to owners of approximately RMB5.2 million for FY2023 as compared to a loss and total comprehensive expense of approximately RMB8.1 million for FY2022.

3. Currency risk

While the Group's operations were principally conducted in the PRC during FY2023 and it mainly recorded sales and incurred production costs and expenses in RMB, the Group has certain bank deposits and balances, advance from the ultimate holding company, amount due to a director and a bank borrowing denominated in foreign currencies other than RMB. The Group may use any contracts to hedge against its exposure to currency risk, as appropriate. The Directors have managed the foreign currency risk by closely monitoring the movement of the foreign currency rate.

4. Charge on the Group's assets

As at 31 December 2023, the Group pledged certain of its bank deposits with original maturity more than three months and restricted bank deposits totaling approximately RMB173.8 million (31 December 2022: approximately RMB174.3 million) to secure bank borrowings, bills payable and a letter of guarantee issued by a bank.

5. Gearing ratio

As at 31 December 2023, the gearing ratio of the Group, which was calculated by dividing the total liabilities by the total equity, was approximately 82.5% (FY2022: approximately 92.1%).

6. Liquidity and Financial Resources

During FY2023, the Group's operational and capital requirements were financed principally through share capital, reserves, bank borrowings, loan from a joint venture and an amount due to a director.

7. Contingent Liabilities

As at 31 December 2023, the Group did not have any material contingent liabilities.

8. Employees and Remuneration Policies

As at 31 December 2023, the Group had approximately 310 employees (31 December 2022: approximately 320). For FY2023, the Group incurred staff costs of approximately RMB33.6 million (FY2022: approximately RMB36.5 million). As required by applicable laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed periodically with reference to the then prevailing market employment practices and legislation.

9. Capital Commitments

As at 31 December 2023, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB67.4 million (FY2022: approximately RMB122.7 million).

10. Future Plans for Material Investments

As at 31 December 2023, the Group did not have any plans for material investments.

11. Significant Investment Held

As at 31 December 2023, the Group held the following significant investments:

(i) Nanfang Communication, holds 49% of the shareholding in Nanfang Optic, and made a total investment of approximately RMB73.5 million up to 31 December 2022. Nanfang Optic is a company incorporated in the PRC which is principally engaged in the manufacturing and sales of optical fibre. No market fair value was available as at 31 December 2023 as this is a private company. The investment is intended to be held for a long term. During FY2023, the Group (i) shared an associated profit of approximately RMB10.9 million (FY2022: approximately RMB11.6 million); (ii) received a dividend of approximately RMB14.7 million (FY2022: nil) in respect of its investment in Nanfang Optic.

(ii) Nanfang Communication also holds 51% of the shareholding in Yingke Optical Material, and made a total investment of approximately RMB76.5 million up to 31 December 2022. The investment cost was reduced to approximately RMB38.3 million for FY2023. Yingke Optical Material is principally engaged in the manufacturing and sales of optical fibre preforms. No market fair value was available as at 31 December 2023 as this is a private company. The investment is intended to be held for a long term. During FY2023, the Group (i) shared a profit of approximately RMB5.6 million (FY2022: approximately RMB9.2 million); (ii) received a dividend of approximately RMB4.6 million (FY2022: approximately RMB8.8 million) in respect of its investment in Yingke Optical Material.

(iii) Pacific Smart, an indirectly wholly owned subsidiary of the Company, owned 8,235,293 of class A preferred shares of the Target Company, representing approximately 3.48% (on a fully-diluted basis) of its total issued share capital. The Target Group is a leading global provider of advanced technology solutions for optical communications and data connectivity.

The fair value of the investment was approximately RMB154,121,000 as at 31 December 2023 (31 December 2022: approximately RMB167,150,000), representing approximately 10.9% of the total assets of the Group. During FY2023, the Group had not received any dividend or recorded any investment gain/loss. The total investment contributed by the Group was approximately US$23 million up to 31 December 2023.

Save as aforesaid, the Company did not hold any other significant investments during FY2023.

12. Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During FY2023, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group.

For the year ended 31 December 2024

1. Business Overview

For the year ended 31 December 2024 ("**FY2024**"), the Group recorded an increase of total revenue by approximately 3.0% to approximately RMB538.1 million (FY2023: approximately RMB522.3 million). The gross profit of the Group was approximately RMB98.5 million (FY2023: approximately RMB70.7 million), representing an increment of approximately 39.3%. The Company reported a profit and total comprehensive income for the year attributable to owners of the Company of approximately RMB39.9 million (FY2023: approximately RMB5.2 million). The Company's earnings per share was approximately RMB0.025 (FY2023: approximately RMB0.003).

2. Financial Review

Revenue

Revenue of the Group represents revenue derived from manufacturing and sales of optical fibre cables and optical distribution network devices as well as processing and sales of prepainted steel sheet. During FY2024, the Group's total revenue was approximately RMB538.1 million, representing an increase of approximately 3.0% from approximately RMB522.3 million for FY2023.

During FY2024, the Group continues to focus on its principal activities in the segment of manufacturing and sales of optical fibre cables and related devices in PRC as well as segment of processing and sales of prepainted steel sheets. The Directors consider that the consolidation of both segments as one reportable and operating segment shall better reflect the Group's updated business strategies and the development phases of various businesses. As such, no segment information is presented other than the entity-wide disclosures.

Cost of sales

For FY2024, the cost of sales of the Group amounted to approximately RMB439.6 million, representing a decrease of approximately 2.6% from approximately RMB451.6 million for FY2023.

Gross profit and gross profit margin

Gross profit of the Group increased by approximately 39.3% to approximately RMB98.5 million for FY2024 from approximately RMB70.7 million for FY2023. During FY2024, the Group's gross profit margin was approximately 18.3% as compared to a gross profit margin of approximately 13.5% for FY2023. While the unit selling price remained fairly stable, the Group's gross profit and gross profit margin were boosted in FY2024 owing to a significant drop in the cost of raw materials (including non-ferrous metals and some other chemical feedstocks).

Other income, gains, expenses and losses, net

The Group recorded a net gain of approximately RMB19.5 million for FY2024 as compared to approximately RMB17.0 million for FY2023. The increase was mainly attributable to more government grants were recognised during FY2024.

Selling and distribution expenses

The Group incurred selling and distribution expenses of approximately RMB18.3 million for FY2024 which has dropped by approximately 6.0% compared to approximately RMB19.5 million for FY2023. The decrease was mainly due to the drop in the total freight charges.

Administrative expenses

The Group's administrative expenses was slightly decreased by approximately 1.8% to approximately RMB34.7 million for FY2024 from approximately RMB35.3 million for FY2023.

Research costs

The Group's research costs was slightly dropped by approximately 2.0% to approximately RMB33.2 million for FY2024 from approximately RMB33.9 million for FY2023.

Finance costs

During FY2024, the Group's finance costs decreased by approximately 35.4% to approximately RMB6.0 million from approximately RMB9.3 million for FY2023. This was mainly due to the decrease in overall bank loan interest rates and the allocation of part of the interest to construction in progress during FY2024. As a result, the finance costs decreased as compared with FY2023.

Income tax credit/expense

During FY2024, the Group incurred an income tax expense of approximately RMB4.0 million as compared to an income tax credit of approximately RMB14.5 million recorded for FY2023. The increase in the income tax expense aligned with the increase in overall profitability of the Group.

Profit and total comprehensive income attributable to owners of the Company

The Company recorded a profit and total comprehensive income attributable to owners of approximately RMB39.9 million for FY2024 as compared to approximately RMB5.2 million for FY2023.

3. Currency risk

While the Group's operations were principally conducted in the PRC during FY2024 and it mainly recorded sales and incurred production costs and expenses in RMB, the Group has certain bank deposits and balances, advance from the ultimate holding company, amount due to a director and a bank borrowing denominated in foreign currencies other than RMB. The Group may use any contracts to hedge against its exposure to currency risk, as appropriate. The Directors have managed the foreign currency risk by closely monitoring the movement of the foreign currency rate.

4. Charge on the Group's assets

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

5. Gearing ratio

At 31 December 2024, the gearing ratio of the Group, which was calculated by dividing the total liabilities by the total equity, was approximately 84.5% (FY2023: approximately 82.5%).

6. Liquidity and Financial Resources

During FY2024, the Group's operational and capital requirements were financed principally through share capital, reserves, bank borrowings and an amount due to a director.

7. Contingent Liabilities

As at 31 December 2024, the Group did not have any material contingent liabilities.

8. Employees and Remuneration Policies

As at 31 December 2024, the Group had approximately 300 employees (31 December 2023: approximately 310). For FY2024, the Group incurred staff costs of approximately RMB32.3 million (FY2023: approximately RMB33.6 million). As required by applicable laws and regulations, the Group participates in various employee benefit plans, including pension insurance, medical insurance and personal injury insurance. The Group adopts a competitive remuneration package for its employees. Remuneration packages are reviewed periodically with reference to the then prevailing market employment practices and legislation.

9. Capital commitments

At 31 December 2024, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB20.1 million (FY2023: approximately RMB67.4 million).

10. Future Plans for Material Investments

As at 31 December 2024, the Group did not have any plans for material investments.

11. Significant Investment Held

As at 31 December 2024, the Group held the following significant investments:

(i) Nanfang Communication, holds 49% of the shareholding in Nanfang Optic, and made a total investment of approximately RMB73.5 million up to 31 December 2024. Nanfang Optic is a company incorporated in the PRC which is principally engaged in the manufacturing and sales of optical fibre. No market fair value was available as at 31 December 2024 as this is a private company. The investment is intended to be held for a long term. During FY2024, the Group (i) shared an associated profit of approximately RMB10.3 million (FY2023: approximately RMB10.9 million); (ii) did not receive any dividend (FY2023: approximately RMB14.7 million) in respect of its investment in Nanfang Optic.

(ii) Nanfang Communication also holds 51% of the shareholding in Yingke Optical Material, and made a total investment of approximately RMB76.5 million up to 31 December 2022. The investment cost was reduced to approximately RMB38.3 million for FY2023 and up to 31 December 2024. Yingke Optical Material is principally engaged in the manufacturing and sales of optical fibre preforms. No market fair value was available as at 31 December 2024 as this is a private company. The investment is intended to be held for a long term. During FY2024, the Group (i) shared a profit of approximately RMB2.1 million (FY2023: approximately RMB5.6 million); (ii) did not receive any dividend (FY2023: approximately RMB4.6 million) in respect of its investment in Yingke Optical Material.

(iii) Pacific Smart, an indirectly wholly owned subsidiary of the Company, owned 8,235,293 of class A preferred shares of Source Photonics Group, representing approximately 4.00% shareholding and approximately 3.48% shareholding on a fully-diluted basis. Source Photonics Group is a company incorporated in the Cayman Islands and is a leading global provider of advanced technology solutions for optical communications and data connectivity.

The fair value of the investment was approximately RMB161,278,000 as at 31 December 2024 (FY2023: approximately RMB154,121,000), representing approximately 10.7% of the total assets of the Group. During FY2024, the Group had not received any dividend or recorded any investment gain/loss. The total investment contributed by the Group is approximately US$23 million up to 31 December 2024.

Save as aforesaid, the Company did not hold any other significant investments during FY2024.

12. Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

During FY2024, there were no material acquisitions and disposals of subsidiaries, associates and joint ventures by the Group.

Set out below is the financial information of the Target Company which comprises summaries of (i) the consolidated statements of financial position of the Target Company as at 31 December 2022, 2023 and 2024 and as at 31 March 2025; (ii) the consolidated statements of profit or loss and other comprehensive income; (iii) the consolidated statements of cash flows; and (iv) the consolidated statements of changes in equity of the Target Company for each of three years ended 31 December 2022, 2023 and 2024 and the three months ended 31 March 2025.

The financial information disclosed in this appendix is extracted from the audited consolidated financial statements of the Target Company prepared by its PRC auditor for the year ended 31 December 2022, 2023 and 2024 and the three months ended 31 March 2025 in accordance with the Chinese Accounting Standards respectively.

The increase in the revenue of the Target Company's financial results is primarily driven by favorable industry-wide demand in 2024. Firstly, the accelerated adoption of high speed optical module in AI infrastructure and hyperscale data center which increased the demand for the Target Company's optical communication components (including high-speed transceivers and modulators) to support energy-efficient computing. Secondly, the expanded deployment of 5G networks and edge computing infrastructure, requiring advanced photonic solutions for low-latency data transfer, also increased demand for the Target Company's product portfolio.

SUMMARY OF CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the three months ended 31 March	For the year ended 31 December		
	2025	2024	2023	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Revenue	935,697	2,931,662	1,293,466	1,500,841
Cost of sales	(667,220)	(2,039,997)	(1,033,081)	(1,107,544)
Gross profit	268,477	891,665	260,385	393,297
Profit/(loss) for the year	112,245	404,525	(17,499)	124,567
Attributable to:				
Owners of the parent	112,824	405,881	(16,381)	125,014
Non-controlling interests	(579)	(1,356)	(1,118)	(447)
	112,245	404,525	(17,499)	124,567
Profit/(loss) for the year	112,245	404,525	(17,499)	124,567
Other comprehensive income/(loss)	681	(17,678)	(7,375)	8,206
Total comprehensive (loss)/income	112,926	386,847	(24,874)	132,773
Attributable to:				
Owners of the parent	113,193	388,463	(23,750)	133,245
Non-controlling interests	(267)	(1,616)	(1,124)	(472)
	112,926	386,847	(24,874)	132,773

SUMMARY OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	As at 31 March 2025	As at 31 December 2024	2023	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Total non-current assets	1,104,812	1,036,338	902,388	887,997
Total currents assets	2,462,196	2,131,770	1,420,546	1,096,568
Total currents liabilities	(2,251,720)	(1,983,246)	(1,511,503)	(919,936)
Total non-current liabilities	(194,782)	(177,281)	(206,383)	(461,236)
Net assets	1,120,506	1,007,581	605,048	603,393
Equity attributable to owners of the parent	1,113,444	1,000,251	596,101	593,323
Non-controlling interests	7,062	7,330	8,947	10,070
	1,120.506	1,007,581	605,048	603,393

SUMMARY OF CONSOLIDATED STATEMENTS OF CASH FLOWS

	For the three months ended 31 March 2025	For the year ended 31 December 2024	2023	2022
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Net cash provided by operating activities	98,004	473,621	104,726	271,019
Net cash used in investing activities	(50,392)	(197,082)	(203,280)	(76,476)
Net cash provided by/(used in) financing activities	41,720	(269,771)	181,452	(64,634)
Net increase in cash and cash equivalents	89,332	6,768	82,898	129,909

SUMMARY OF CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Item	31 March 2025								
	Equity attributable to the owners of the parent company								
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserve	Surplus reserve	Undistributed profit	Non-controlling interest	Total owners' equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
I. Balance at the end of the previous year	133	1,134,299	–	43,224	–	–	(177,405)	7,330	1,007,581
Add: Changes in accounting policy	–	–	–	–	–	–	–	–	–
Prior-period error correction	–	–	–	–	–	–	–	–	–
Merger of enterprises under common control	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current year	133	1,134,299	–	43,224	–	–	(177,405)	7,330	1,007,581
III. Amount of increase/decrease/change in the current year	–	–	–	369	–	–	112,824	(267)	112,926
(I) Total comprehensive income	–	–	–	369	–	–	112,824	(267)	112,926
(II) Contribution and reduction of capital by owners	–	–	–	–	–	–	–	–	–
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–
2. Capital contributed by other equity instrument holders	–	–	–	–	–	–	–	–	–
3. Amount included in owners' equity in share payment	–	–	–	–	–	–	–	–	–
4. Others	–	–	–	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	–	–	–	–	–
1. Withdrawal of surplus reserves	–	–	–	–	–	–	–	–	–
2. Distribution to owners (or shareholders)	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–

Item	31 March 2025								
	Equity attributable to the owners of the parent company								
	Share capital *RMB'000*	Capital reserve *RMB'000*	Less: Treasury shares *RMB'000*	Other comprehensive income *RMB'000*	Special Reserve *RMB'000*	Surplus reserve *RMB'000*	Undistributed profit *RMB'000*	Non-controlling interest *RMB'000*	Total owners' equity *RMB'000*
(IV) Carry-forward of owners' equity	–	–	–	–	–	–	–	–	–
1. Conversion of capital reserves to increase capital (or share capital)	–	–	–	–	–	–	–	–	–
2. Conversion of surplus reserves to increase capital (or share capital)	–	–	–	–	–	–	–	–	–
3. Making up of losses by surplus reserves	–	–	–	–	–	–	–	–	–
4. Carry-forward of retained earnings from changes in defined benefit plans	–	–	–	–	–	–	–	–	–
5. Carry-forward of retained earnings from other comprehensive income	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–
(V) Special reserves	–	–	–	–	–	–	–	–	–
1. Current withdrawal	–	–	–	–	–	–	–	–	–
2. Current use	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the current period	133	1,134,299	–	43,593	–	–	(64,581)	7,063	1,120,507

Item	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserve	Surplus reserve	Undistributed profit	Non-controlling interest	Total owners' equity
	31 December 2024								
	Equity attributable to the owners of the parent company								
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
I. Balance at the end of the previous year	133	1,118,613	–	60,641	–	–	(583,287)	8,947	605,047
Add: Changes in accounting policy	–	–	–	–	–	–	–	–	–
Prior-period error correction	–	–	–	–	–	–	–	–	–
Merger of enterprises under common control	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current year	133	1,118,613	–	60,641	–	–	(583,287)	8,947	605,047
III. Amount of increase/decrease/change in the current year	–	15,686	–	(17,417)	–	–	405,882	(1,617)	402,534
(I) Total comprehensive income	–	–	–	(17,417)	–	–	405,882	(1,617)	386,848
(II) Contribution and reduction of capital by owners	–	15,686	–	–	–	–	–	–	15,686
1. Ordinary shares contributed by owners	–	31,357	–	–	–	–	–	–	31,357
2. Capital contributed by other equity instrument holders	–	–	–	–	–	–	–	–	–
3. Amount included in owners' equity in share payment	–	(15,671)	–	–	–	–	–	–	(15,671)
4. Others	–	–	–	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	–	–	–	–	–
1. Withdrawal of surplus reserves	–	–	–	–	–	–	–	–	–
2. Distribution to owners (or shareholders)	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–

Item	31 December 2024								
	Equity attributable to the owners of the parent company								
	Share capital	**Capital reserve**	**Less: Treasury shares**	**Other comprehensive income**	**Special Reserve**	**Surplus reserve**	**Undistributed profit**	**Non-controlling interest**	**Total owners' equity**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(IV) Carry-forward of owners' equity	–	–	–	–	–	–	–	–	–
1. Conversion of capital reserves to increase capital (or share capital)	–	–	–	–	–	–	–	–	–
2. Conversion of surplus reserves to increase capital (or share capital)	–	–	–	–	–	–	–	–	–
3. Making up of losses by surplus reserves	–	–	–	–	–	–	–	–	–
4. Carry-forward of retained earnings from changes in defined benefit plans	–	–	–	–	–	–	–	–	–
5. Carry-forward of retained earnings from other comprehensive income	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–
(V) Special reserves	–	–	–	–	–	–	–	–	–
1. Current withdrawal	–	–	–	–	–	–	–	–	–
2. Current use	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the current period	133	1,134,299	–	43,224	–	–	(177,405)	7,330	1,007,581

Item	31 December 2023								
	Equity attributable to the owners of the parent company								
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserve	Surplus reserve	Undistributed profit	Non-controlling interest	Total owners' equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
I. Balance at the end of the previous year	130	1,092,087	–	68,091	–	–	(570,071)	10,070	600,307
Add: Changes in accounting policy	–	–	–	(80)	–	–	3,165	–	3,085
Prior-period error correction	–	–	–	–	–	–	–	–	–
Merger of enterprises under common control	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current year	130	1,092,087	–	68,011	–	–	(566,906)	10,070	603,392
III. Amount of increase/decrease/change in the current year	3	26,526	–	(7,370)	–	–	(16,381)	(1,123)	1,655
(I) Total comprehensive income	–	–	–	(7,370)	–	–	(16,381)	(1,123)	(24,874)
(II) Contribution and reduction of capital by owners	–	26,529	–	–	–	–	–	–	26,529
1. Ordinary shares contributed by owners	–	–	–	–	–	–	–	–	–
2. Capital contributed by other equity instrument holders	–	–	–	–	–	–	–	–	–
3. Amount included in owners' equity in share payment	–	26,529	–	–	–	–	–	–	26,529
4. Others	–	–	–	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	–	–	–	–	–
1. Withdrawal of surplus reserves	–	–	–	–	–	–	–	–	–
2. Distribution to owners (or shareholders)	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–

Item	31 December 2023 — Equity attributable to the owners of the parent company								
	Share capital *RMB'000*	Capital reserve *RMB'000*	Less: Treasury shares *RMB'000*	Other comprehensive income *RMB'000*	Special Reserve *RMB'000*	Surplus reserve *RMB'000*	Undistributed profit *RMB'000*	Non-controlling interest *RMB'000*	Total owners' equity *RMB'000*
(IV) Carry-forward of owners' equity	3	(3)	–	–	–	–	–	–	–
1. Conversion of capital reserves to increase capital (or share capital)	3	(3)	–	–	–	–	–	–	–
2. Conversion of surplus reserves to increase capital (or share capital)	–	–	–	–	–	–	–	–	–
3. Making up of losses by surplus reserves	–	–	–	–	–	–	–	–	–
4. Carry-forward of retained earnings from changes in defined benefit plans	–	–	–	–	–	–	–	–	–
5. Carry-forward of retained earnings from other comprehensive income	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–
(V) Special reserves	–	–	–	–	–	–	–	–	–
1. Current withdrawal	–	–	–	–	–	–	–	–	–
2. Current use	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the current period	133	1,118,613	–	60,641	–	–	(583,287)	8,947	605,047

Item	Share capital RMB'000	Capital reserve RMB'000	Less: Treasury shares RMB'000	Other comprehensive income RMB'000	Special Reserve RMB'000	Surplus reserve RMB'000	Undistributed profit RMB'000	Non-controlling interest RMB'000	Total owners' equity RMB'000
	31 December 2022								
	Equity attributable to the owners of the parent company								
I. Balance at the end of the previous year	85	829,140	–	60,455	–	–	(696,071)	10,542	204,151
Add: Changes in accounting policy	–	–	–	(675)	–	–	4,151	–	3,476
Prior-period error correction	–	–	–	–	–	–	–	–	–
Merger of enterprises under common control	–	–	–	–	–	–	–	–	–
Others	–	–	–	–	–	–	–	–	–
II. Balance at the beginning of the current year	85	829,140	–	59,780	–	–	(691,920)	10,542	207,627
III. Amount of increase/decrease/change in the current year	45	262,947	–	8,231	–	–	125,014	(472)	395,765
(I) Total comprehensive income	–	–	–	8,231	–	–	125,014	(472)	132,773
(II) Contribution and reduction of capital by owners	–	262,992	–	–	–	–	–	–	262,992
1. Ordinary shares contributed by owners	–	227,991	–	–	–	–	–	–	227,991
2. Capital contributed by other equity instrument holders	–	–	–	–	–	–	–	–	–
3. Amount included in owners' equity in share payment	–	35,001	–	–	–	–	–	–	35,001
4. Others	–	–	–	–	–	–	–	–	–
(III) Profit distribution	–	–	–	–	–	–	–	–	–
1. Withdrawal of surplus reserves	–	–	–	–	–	–	–	–	–
2. Distribution to owners (or shareholders)	–	–	–	–	–	–	–	–	–
3. Others	–	–	–	–	–	–	–	–	–

Item	31 December 2022								
	Equity attributable to the owners of the parent company								
	Share capital	Capital reserve	Less: Treasury shares	Other comprehensive income	Special Reserve	Surplus reserve	Undistributed profit	Non-controlling interest	Total owners' equity
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
(IV) Carry-forward of owners' equity	45	(45)	–	–	–	–	–	–	–
1. Conversion of capital reserves to increase capital (or share capital)	45	(45)	–	–	–	–	–	–	–
2. Conversion of surplus reserves to increase capital (or share capital)	–	–	–	–	–	–	–	–	–
3. Making up of losses by surplus reserves	–	–	–	–	–	–	–	–	–
4. Carry-forward of retained earnings from changes in defined benefit plans	–	–	–	–	–	–	–	–	–
5. Carry-forward of retained earnings from other comprehensive income	–	–	–	–	–	–	–	–	–
6. Others	–	–	–	–	–	–	–	–	–
(V) Special reserves	–	–	–	–	–	–	–	–	–
1. Current withdrawal	–	–	–	–	–	–	–	–	–
2. Current use	–	–	–	–	–	–	–	–	–
(VI) Others	–	–	–	–	–	–	–	–	–
IV. Balance at the end of the current period	130	1,092,087	–	68,011	–	–	(566,906)	10,070	603,392

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

INTRODUCTION

The following is the unaudited pro forma consolidated statement of financial position as at 31 December 2024, and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024, and related notes (the "**Unaudited Pro Forma Financial Information**") of the Group excluding the Target Company (as defined below) (the "**Remaining Group**") in connection with the proposed very substantial disposal in relation to disposal of the 8,235,293 class A preferred shares of Source Photonics Holdings (Cayman) Limited (the "**Target Company**") (the "**Disposal**"), which has been prepared on the basis of the notes set out below for the purpose of illustrating the effect of the Disposal, as if the Disposal had been completed on 31 December 2024 or 1 January 2024, as appropriate.

The unaudited pro forma consolidated statement of financial position of the Remaining Group is prepared based on the audited consolidated statement of financial position of the Group as at 31 December 2024 as extracted from the Group's 2024 annual report after making pro forma adjustments relating to the Disposal that are directly attributable to the Disposal and factually supportable as set out below. The Group's 2024 annual report includes the audited consolidated financial statements of the Group for the year ended 31 December 2024.

The unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows of the Remaining Group are prepared based on the audited consolidated statement of profit or loss and other comprehensive income and the audited consolidated statement of cash flows of the Group for the year ended 31 December 2024 as extracted from the Group's 2024 annual report after making pro forma adjustments relating to the Disposal that are directly attributable to the Disposal and factually supportable as set out below.

The Unaudited Pro Forma Financial Information has been prepared by the Directors in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for illustrative purposes only, based on their judgments, estimations and assumptions, and because of its hypothetical nature, it may not give a true picture of the financial position of the Remaining Group as at 31 December 2024 or at any future date had the Disposal been completed on 31 December 2024, or the results of and cash flows of the Remaining Group for the year ended 31 December 2024 or for any future period had the Disposal been completed on 1 January 2024.

The Unaudited Pro Forma Financial Information should be read in conjunction with the historical financial information of the Group as set out in the Group's 2024 annual report and other financial information included elsewhere in this circular.

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME OF THE REMAINING GROUP

	The Group for the year ended 31 December 2024	Pro forma adjustments			The Remaining Group for the year ended 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 4)*	*(Note 6)*	*(Note 7)*	
Revenue	538,097	–	–	–	538,097
Cost of sales	(439,624)	–	–	–	(439,624)
Gross profit	98,473	–	–	–	98,473
Other income, gains, expenses and losses, net	19,481	–	–	–	19,481
Impairment losses on trade and other receivables under expected credit loss model, net of reversal	(1,372)	–	–	–	(1,372)
Changes in fair value of financial assets at fair value through profit or loss	7,157	–	(7,157)	29,650	29,650
Selling and distribution expenses	(18,313)	–	–	–	(18,313)
Administrative expenses	(34,694)	(1,500)	–	–	(36,194)
Research costs	(33,191)	–	–	–	(33,191)
Finance costs	(6,002)	–	–	–	(6,002)
Share of profit of an associate	10,271	–	–	–	10,271
Share of profit of a joint venture	2,146	–	–	–	2,146
Profit before income tax	43,956	(1,500)	(7,157)	29,650	64,949
Income tax expense	(4,020)	–	–	–	(4,020)
Profit and total comprehensive income for the year	39,936	(1,500)	(7,157)	29,650	60,929

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE REMAINING GROUP

	The Group as at 31 December 2024			Pro forma adjustments		The Remaining Group as at 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Non-current assets						
Property, plant and equipment	208,236	–	–	–	–	208,236
Right-of-use assets	46,134	–	–	–	–	46,134
Interest in an associate	107,076	–	–	–	–	107,076
Interest in a joint venture	49,902	–	–	–	–	49,902
Financial assets at fair value through profit or loss	161,278	(161,278)	–	–	–	–
Restricted bank deposits and balances	4,000	–	–	–	–	4,000
Bank deposits with original maturity more than three months	20,000	–	–	–	–	20,000
Deferred tax assets	24,488	–	–	–	–	24,488
	621,114	(161,278)	–	–	–	459,836
Current assets						
Inventories	27,313	–	–	–	–	27,313
Trade and bills receivable	436,221	–	–	–	–	436,221
Prepayments, deposits and other receivables	43,484	–	–	–	–	43,484
Restricted bank deposits and balances	169,631	–	–	–	–	169,631
Bank deposits with original maturity more than three months	10,500	–	–	–	–	10,500
Bank deposits, bank balances and cash	201,084	–	183,771	(1,500)	–	383,355
	888,233	–	183,771	(1,500)	–	1,070,504

	The Group as at 31 December 2024	Pro forma adjustments				The Remaining Group as at 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 2)*	*(Note 3)*	*(Note 4)*	*(Note 5)*	
Current liabilities						
Trade and bills payable	278,330	–	–	–	–	278,330
Other payables	19,644	–	–	–	–	19,644
Contract liabilities	2,278	–	–	–	–	2,278
Bank borrowings	201,342	–	–	–	–	201,342
Tax payables	6,415	–	–	–	–	6,415
	508,009	–	–	–	–	508,009
Net current assets	380,224	–	183,771	(1,500)	–	562,495
Total assets less current liabilities	1,001,338	(161,278)	183,771	(1,500)	–	1,022,331
Capital and reserves						
Share capital	1,418	–	–	–	–	1,418
Reserves	816,566	–	–	–	20,993	837,559
Equity attributable to owners of the Company	817,984	–	–	–	20,993	838,977
Non-current liabilities						
Bank borrowings	159,000	–	–	–	–	159,000
Deferred tax liabilities	10,087	–	–	–	–	10,087
Deferred income - government grants	14,267	–	–	–	–	14,267
	183,354	–	–	–	–	183,354
	1,001,338	–	–	–	20,993	1,022,331

UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS OF THE REMAINING GROUP

	The Group for the year ended 31 December 2024	Pro forma adjustments				The Remaining Group for the year ended 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 4)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	
OPERATING ACTIVITIES						
Profit before income tax	43,956	(1,500)	(7,157)	29,650	–	64,949
Adjustments for:						
Interest income	(6,616)	–	–	–	–	(6,616)
Depreciation of property, plant and equipment	6,553	–	–	–	–	6,553
Depreciation of right-of-use assets	1,246	–	–	–	–	1,246
Loss on disposal of property, plant and equipment	289	–	–	–	–	289
Changes in fair value of financial assets at fair value through profit or loss	(7,157)	–	7,157	(29,650)	–	(29,650)
Government grants recognised	(466)	–	–	–	–	(466)
Foreign exchange losses, net	742	–	–	–	–	742
Impairment losses on trade and other receivables under expected credit loss model, net of reversal	1,372	–	–	–	–	1,372
Finance costs	6,002	–	–	–	–	6,002
Share of profit of an associate	(10,271)	–	–	–	–	(10,271)
Share of profit of a joint venture	(2,146)	–	–	–	–	(2,146)
Operating cash flows before movements in working capital	33,504	(1,500)	–	–	–	32,004

	The Group for the year ended 31 December 2024		Pro forma adjustments			The Remaining Group for the year ended 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 4)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	
Decrease in inventories	5,909	–	–	–	–	5,909
Increase in trade, bills and other receivables, deposits and prepayments	(49,820)	–	–	–	–	(49,820)
Increase in trade, bills and other payables	4,500	–	–	–	–	4,500
Decrease in contract liabilities	(1,341)	–	–	–	–	(1,341)
Cash used in operations	(7,248)	(1,500)	–	–	–	(8,748)
Income tax paid	(943)	–	–	–	–	(943)
Net cash used in operating activities	(8,191)	(1,500)	–	–	–	(9,691)
INVESTING ACTIVITIES						
Purchases of property, plant and equipment and right-of-use assets	(62,556)	–	–	–	–	(62,556)
Proceeds from disposal of property, plant and equipment	2,032					2,032
Placement of bank deposits with original maturity more than three months	(20,000)	–	–	–	–	(20,000)
Placement of restricted bank deposits and balances	(60,578)	–	–	–	–	(60,578)
Withdrawal of restricted bank deposits and balances	60,741	–	–	–	–	60,741
Proceed from disposal of financial assets at fair value through profit or loss	–	–	–	–	183,771	183,771
Interest received	2,407	–	–	–	–	2,407
Net cash (used in)/generated from investing activities	(77,954)	–	–	–	183,771	105,817

	The Group for the year ended 31 December 2024	Pro forma adjustments				The Remaining Group for the year ended 31 December 2024
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
	(Note 1)	*(Note 4)*	*(Note 6)*	*(Note 7)*	*(Note 8)*	
FINANCING ACTIVITIES						
Proceeds from bank borrowings	330,000	–	–	–	–	330,000
Repayments of bank borrowings	(280,000)	–	–	–	–	(280,000)
Repayments to a director	(600)	–	–	–	–	(600)
Payments of interest expense on bank borrowings	(9,725)	–	–	–	–	(9,725)
Interest paid on lease liabilities	(1)	–	–	–	–	(1)
Payments of lease liabilities	(212)	–	–	–	–	(212)
Net cash generated from financing activities	39,462	–	–	–	–	39,462
Net (decrease)/increase in cash and cash equivalents	(46,683)	(1,500)	–	–	183,771	135,588
Cash and cash equivalents at beginning of the year	247,767	–	–	–	–	247,767
Cash and cash equivalents at end of the year	201,084	(1,500)	–	–	183,771	383,355

NOTES TO THE UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE REMAINING GROUP

1. The amounts are extracted from the audited consolidated financial statements as set out in the published annual report of the Company for the year ended 31 December 2024 dated 28 March 2025.

2. The adjustment represented derecognition of the carrying amount of the Sale Shares recognised as financial assets at fair value through profit or loss as at 31 December 2024 as if the Disposal had taken place on 31 December 2024. The carrying amount is extracted from the audited consolidated financial statements for the year ended 31 December 2024.

3. The adjustment represents the recognition of the Consideration from the Disposal of US$ 25,181,055 (equivalent to approximately RMB183,771,000) assuming that the 1st Instalment of US$2,518,106 (equivalent to approximately RMB18,377,000), 2nd instalment of US$3,777,158 (equivalent to approximately RMB27,566,000) and the 3rd instalment of US$18,885,791 (equivalent to approximately RMB137,828,000) had been settled on Completion by the Purchaser as if Completion had taken place on 31 December 2024.

4. The adjustment represents the estimated transaction costs attributable to the Disposal. Estimated transaction costs incurred for professional service, amounting to approximately RMB1,500,000 and assumed to be fully settled by cash on Completion, as if Completion had taken place on 31 December 2024 or 1 January 2024, as appropriate. This adjustment will not have any continuing effect on the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Remaining Group.

5. The adjustment represents the estimated effect on profit or loss arising from the Disposal as if Completion had taken place on 31 December 2024 and the details of the calculation are as follows:

	RMB'000
Consideration *(note 3)*	183,771
Carrying amount of the Sale Shares as at 31 December 2024 *(note 2)*	(161,278)
Estimate gain arising from the Disposal before transaction costs	22,493
Estimated transaction costs attributable to the Disposal *(note 4)*	(1,500)
Estimated effect on profit or loss arising from the Disposal	20,993

6. The adjustment represents the reversal of the changes in fair value of the Sales Shares recognised as financial assets at fair value through profit or loss for the year ended 31 December 2024, as if Completion had taken place on 1 January 2024. The changes in fair value are extracted from the audited consolidated financial statements for the year ended 31 December 2024. This adjustment will not have any continuing effect on the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Remaining Group.

7. The adjustment represents the estimated gain arising from the Disposal as if Completion had taken place on 1 January 2024 and the details of the calculation are as follows:

	RMB'000
Consideration *(note 3)*	183,771
Carrying amount of the Sale Shares as at 1 January 2024	(154,121)
Estimated gain arising from the Disposal	29,650

This adjustment will not have any continuing effect on the consolidated statement of profit or loss and other comprehensive income and the consolidated statement of cash flows of the Remaining Group. The carrying amount of the Sale Shares as at 1 January 2024 is extracted from the audited consolidated financial statements for the year ended 31 December 2024.

8. The adjustment represents the recognition of the Consideration from the Disposal of US$ 25,181,055 (equivalent to approximately RMB183,771,000) assuming that the 1st Instalment of US$2,518,106 (equivalent to approximately RMB18,377,000), 2nd instalment of US$3,777,158 (equivalent to approximately RMB27,566,000) and the 3rd instalment of US$18,885,791 (equivalent to approximately RMB137,828,000) had been settled on Completion by the Purchaser as if Completion had taken place on 1 January 2024. This adjustment will not have any continuing effect on the consolidated statement of cash flows of the Remaining Group.

9. Apart from the above, no adjustments have been made to reflect any trading or other transactions of the Remaining Group (a) entered into subsequent to 31 December 2024 for the purpose of the unaudited pro forma consolidated statement of financial position, and (b) entered into subsequent to 1 January 2024 for the purpose of unaudited pro forma consolidated statement of profit or loss and other comprehensive income and unaudited pro forma consolidated statement of cash flows.

10. For the purpose of the Unaudited Pro Forma Financial Information, the conversion of US$ into RMB as of 1 January 2024 and 31 December 2024 and for the year ended 31 December 2024 is based on the exchange rate of approximately US$1 to RMB7.298. No representation is made that US$ amounts could have been or may be converted to RMB, or vice versa, at that date.

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INDEPENDENT REPORTING ACCOUNTANTS' ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION

TO THE DIRECTORS OF NANFANG COMMUNICATION HOLDINGS LIMITED

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of Nanfang Communication Holdings Limited (the "**Company**") and its subsidiaries (hereinafter collectively referred to as the "**Group**") by the directors of the Company for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma consolidated statement of financial position as at 31 December 2024 and the unaudited pro forma consolidated statement of profit or loss and other comprehensive income and the unaudited pro forma consolidated statement of cash flows for the year ended 31 December 2024, and related notes as set out on III-1 to III-9 of Appendix III of the circular dated 25 August 2025 (the "**Circular**") in connection with the proposed very substantial disposal in relation to disposal of the 8,235,293 class A preferred shares of Source Photonics Holdings (Cayman) Limited (the "**Target Company**"). The applicable criteria on the basis of which the directors of the Company have compiled the unaudited pro forma financial information are described on III-1 to III-9 of Appendix III of the Circular.

The unaudited pro forma financial information has been compiled by the directors of the Company to illustrate the impact of the proposed very substantial disposal in relation to disposal of the 8,235,293 class A preferred shares of the Target Company (the "**Disposal**") on the Group's financial position as at 31 December 2024 as if the Disposal had taken place at 31 December 2024, and the Group's financial performance and cash flows for the year ended 31 December 2024 as if the Disposal had taken place at 1 January 2024. As part of this process, information about the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and consolidated statement of cash flows has been extracted by the directors of the Company from the Group's audited consolidated financial statements for the year ended 31 December 2024, on which an independent auditor's report has been published.

Directors' Responsibility for the Unaudited Pro Forma Financial Information

The directors of the Company are responsible for compiling the unaudited pro forma financial information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" ("**AG 7**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**").

Our Independence and Quality Management

We have complied with the independence and other ethical requirements of the "Code of Ethics for Professional Accountants" issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420 "Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus" issued by the HKICPA. This standard requires that the reporting accountants plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled the unaudited pro forma financial information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the unaudited pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the unaudited pro forma financial information.

The purpose of unaudited pro forma financial information included in an investment circular is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the Disposal at 31 December 2024 or 1 January 2024 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related unaudited pro forma adjustments give appropriate effect to those criteria; and
- the unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountants' judgement, having regard to the reporting accountants' understanding of the nature of the entity, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Company; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

BDO Limited
Certified Public Accountants
Hong Kong
25 August 2025

APAC Asset Valuation and Consulting Limited
Room 309, Wing On Plaza, 62 Mody Road, Tsim Sha Tsui East, Hong Kong
T: (852) 2357 0085
F: (852) 2951 0799

Date: 25 August 2025

The Directors
Nanfang Communication Holdings Limited
Unit 903, 9/F, Capital Centre,
151 Gloucester Road,
Wan Chai, Hong Kong.

Dear Sir/Madam,

RE: VALUATION OF THE FAIR VALUE OF 4.0% EQUITY INTERESTS IN SOURCE PHOTONICS HOLDINGS (CAYMAN) LIMITED

In accordance with your instructions, we have undertaken a valuation on behalf of Nanfang Communication Holdings Limited (the "**Company**") to determine the fair value ("**Fair Value"**, to be defined below) of 4.0% equity interest ("**Equity**") in Source Photonics (the "**Target Company**") as at 30 April 2025 ("**Valuation Date**").

The Target Company is principally engaged in the business of manufacturing optical and photonic modules and transmission components for supporting high-speed connectivity in data centers and fiber-to-premises access networks across various regions around the world.

The purpose of this valuation is to express an independent opinion of the Fair Value of the Target Company as at the Valuation Date for circular reference purposes. The valuation result should not be construed to be a fairness opinion, a solvency opinion or an investment recommendation. It is inappropriate to use our valuation report for purposes other than its intended use or by third parties. These third parties should conduct their own investigation and independent assessment of captioned subjects.

We relied upon completeness, accuracy and fair representation of operational, financial information and business plans in relation to the business provided by Management. The fair value of the equity of the Target Company is subject to a number of assumptions concerning historical financial information and its current financial position. To the extent that any of these assumptions or facts changed, the result of the valuation would be changed accordingly.

STANDARD OF VALUE

We will conduct the valuation exercises in accordance with International Valuation Standards (IVS) and provide our opinion of values in formal reports. According to IVS, our opinion of the Fair Value is defined as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date".

The valuation will be prepared in accordance with IVS as published by International Valuation Standards Council.

PREMISE OF VALUE

Premise of value is an assumption regarding the most likely set of transaction circumstances that may be applicable to the subject valuation such as going concern or liquidation.

A going concern value represents the value of a business enterprise that is expected to continue to operate into the future. A liquidation value represents the value of the business on the premise that all assets of the enterprise will be disposed on a piecemeal basis.

This report is prepared using the premise that the subject company is a going concern, which presumes that the subject business enterprise will continue to operate into the future.

FINANCIAL OVERVIEW

According to its 2024 audited financial statements, the Target Company reported revenue of RMB2,931,662,308, net profit before tax ("**NPBT**") of RMB465,187,862 and net profit after tax ("**NPAT**") of RMB386,847,442 for the year ended 31 December 2024. After minority interest adjustments, net profit after tax attributable to common shareholders ("**CS Attributable NPAT**") was RMB388,463,903.

The effective tax rate of the Target Company is calculated as tax expense (NPBT – NPAT = RMB78,340,420) divided by NPBT (RMB465,187,862) = 16.84%.

Non-recurring items comprised other income of RMB16,089,441 (primarily one-off gains from financial assets and non-recurring government grants) and other expenses of RMB34,557,615 (mainly one-off losses from disposal of fixed assets and one-off losses from financial liabilities). Accordingly, the post-tax other income, and other expenses are calculated as RMB16,089,441 x (1 – 16.84%) = RMB13,379,979, and RMB34,557,615 x (1 – 16.84%) = RMB28,738,113 respectively. The above post-tax non-recurring amounts will be reversed from the CS Attributable NPAT to derive the normalized net income for valuation purposes.

The statement of financial position of the Target Company is summarized in the below table.

Consolidated Statement of Financial Position as at 31 December 2024

	Book Value
	RMB million
NON-CURRENT ASSETS	
Net assets of defined benefit plans	3.00
Fixed assets	639.59
Construction in progress	34.32
Right-of-use assets	105.74
Intangible assets	100.30
Development expenditure	46.73
Long-term deferred expenses	33.10
Deferred tax assets	54.86
Other non-current assets	18.69
Total non-current assets	**1,036.33**
CURRENT ASSETS	
Cash and bank balances	295.21
Financial assets held for trading	14.03
Accounts receivable	883.68
Receivables under financing	6.02
Prepayments	22.44
Other receivables	38.38
Inventories	847.76
Non-current assets due within one year	1.85
Other current assets	22.41
Total current assets	**2,131.78**
CURRENT LIABILITIES	
Short-term loans	450.88
Financial liabilities held for trading	374.48
Accounts payable	918.13
Contract liabilities	1.23
Employee benefits payable	153.56
Taxes payable	35.48
Other payables	2.24
Non-current liabilities due within one year	32.18
Other current liabilities	15.06
Total current liabilities	**1,983.24**
NET CURRENT ASSETS	**148.54**
NON-CURRENT LIABILITIES	
Lease liabilities	107.50
Deferred income	25.85
Deferred tax liabilities	43.94
Total non-current liabilities	**177.29**
Net assets	**1,007.58**

Based on the audited report, we identify the following non-core items unrelated to the Target Company's primary optical assemblies, modules and transmission component manufacturing operations:

Item	*RMB million*	**USD Equivalent** *Million**
Financial asset held for trading	14.03	1.93
Financial liability held for trading	374.48	51.49

* *USD equivalents calculated at exchange rate USD 0.1375/RMB*

These items would be adjusted to the operating equity value to arrive at the equity valuation of the Target Company.

ECONOMIC OVERVIEW

The past year has been characterized by heightened volatility and uncertainty. Politically, the Russia-Ukraine conflict has intensified with Russian forces occupying approximately 20% of Ukrainian territory, while Middle East tensions have escalated following direct confrontations between Israel and Iran, triggering U.S. military deployments and exacerbating regional instability. These disruptions have continued to strain global supply chains, particularly through critical chokepoints like the Red Sea where Houthi attacks have diverted 50% of Suez traffic. Following his victory in the 2024 U.S. presidential election, President Trump has implemented substantial tariff increases, culminating in April 2025 with U.S. tariffs reaching 145% on Chinese imports and an average effective rate of 14.5% across all imports–the highest level in 90 years–though some rates were later partially suspended or exempted. These measures have significantly amplified geopolitical and trade uncertainty globally.

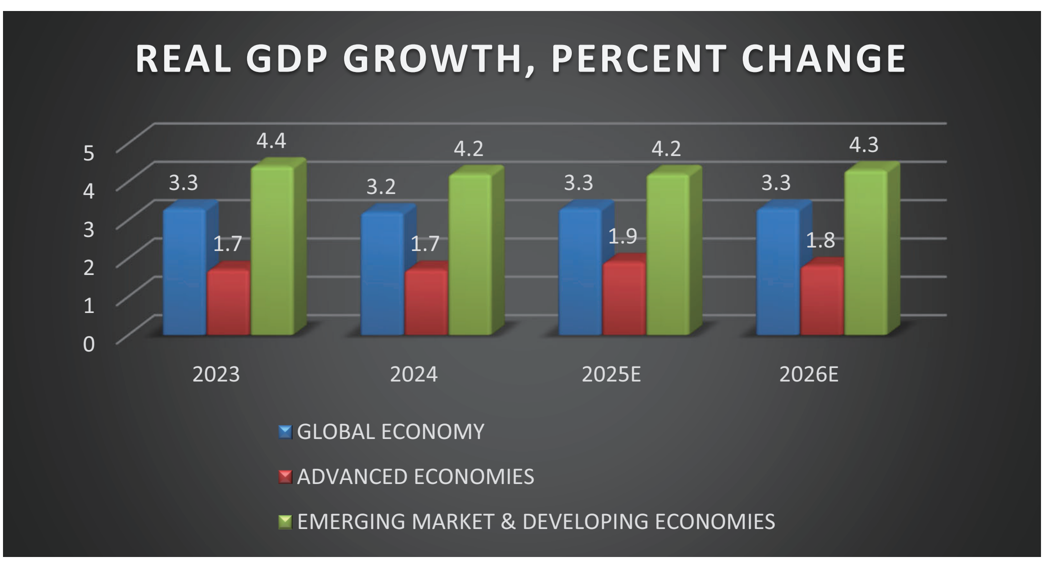
Economically, the global recovery trajectory has weakened substantially since early 2025. According to the IMF's April 2025 World Economic Outlook, global growth projections have been revised down to 2.8% for 2025 (from 3.3% in January) and 3.0% for 2026, reflecting the impact of tariff escalations and policy uncertainty. The United States experienced the largest downgrade among advanced economies (from 2.7% to 1.8%), while Mexico's growth projection plunged into negative territory at -0.3%. Although inflationary pressures are easing in advanced economies, with euro area inflation projected at 2.1% for 2025, and the emerging economies continue to face elevated inflation, particularly in conflict-affected regions like Gaza where inflation reached 140%. Labor markets remain relatively resilient overall, but trade fragmentation is accelerating, with U.S.-China trade volumes now 10% below 2018 levels and supply chains rerouting through intermediary economies like Vietnam and Mexico.

In developed economies, monetary policies remain cautious. The Federal Reserve has maintained its benchmark rate at 4.25% – 4.50% since September 2024, with market expectations shifting toward potential cuts in late 2025 amid slowing growth. The European Central Bank reduced rates to 2.50% in March 2025 but faces constrained easing capacity due to Germany's €48 billion fiscal stimulus package and persistent services inflation. The Bank of Japan continues ultra-loose policies despite yen depreciation to 169/USD (34-year low), with potential July rate hikes under consideration to counter 2.8% inflation.

Emerging markets continue driving global growth, though momentum shows divergence. China's 2024 GDP growth reached 4.8%, but 2025 projections were revised down to 4.0% due to trade tensions and property sector challenges, even as policies emphasize "high-quality development". India's growth outlook was downgraded to 6.5% (from 6.8%) on monsoon risks, while Southeast Asia benefits from supply chain diversification with Vietnam's exports rising 18% year-on-year.

Persistent geopolitical tensions maintain upside risks to energy prices. Trade protectionism has slowed projected global trade growth to 2.5% for 2025, while elevated interest rates exacerbate debt vulnerabilities, particularly in MENA where Egypt's debt reaches 91% of GDP and Tunisia's 82%.

Chart 1 – Real GDP Growth Rate %



*Source: International Monetary Fund ("***IMF***")*

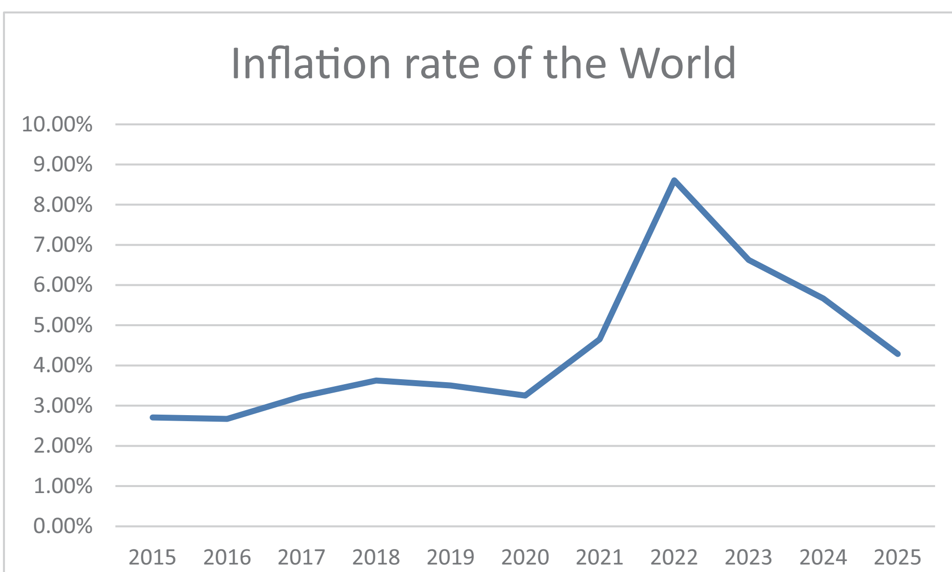
As the Target Company supplies its products around the globe, its business is influenced by the economic conditions and market fluctuations in the overall world's economy. This overview covers overall world's economic condition where the Target Company will derive its future income.

The global average inflation rate for the full year of 2024 was 5.9%, representing a decrease of 0.8 percentage points from 2023. In developed economies, the inflation rate was recorded at 2.7%, a reduction of 1.9 percentage points compared to 2023. According to data from the U.S. Department of Labor, the U.S. Consumer Price Index (CPI) in September 2024 increased by 2.4% year-on-year and 0.2% month-on-month; the core CPI, excluding food and energy, rose by 3.3% year-on-year, indicating a moderation in overall inflation. Eurostat data revealed that inflation in the eurozone eased in September 2024, with the harmonised CPI rising by 1.7% year-on-year, falling below the European Central Bank's 2% target for the first time since 2021.

Contrary to the downward trend observed in the US and EU, Japan's inflation rate has shown signs of recovery. Data from Japan's Ministry of Internal Affairs and Communications indicated that in September 2024, the core CPI excluding fresh food rose by 2.4% year-on-year, marking the 37th consecutive month of year-on-year increases.

Similar trends were noted in emerging markets and developing economies, where inflation rates continued to decline, reaching 7.9% in 2024, a slight decrease of 0.2 percentage points from 2023. National statistics bureaus reported the year-on-year CPI changes for September 2024 as follows: China (0.4%), Brazil (4.4%), India (5.49%), Russia (8.6%), and South Africa (3.8%).

Chart 2 – Inflation Rates of the World



*Source: International Monetary Fund ("***IMF***")*

The trend in unemployment rates varies between developed countries and emerging markets. Developed countries typically show an upward trend, while emerging markets and developing economies generally exhibit a downward trend. According to the U.S. Department of Labor, the seasonally adjusted unemployment rate in the United States was 4.1% in September 2024, compared to 3.6% in 2023. Eurostat data indicates that the seasonally adjusted unemployment rate in the Eurozone was 6.4% in August 2024, marking the lowest level since April 1998. The unemployment rates in the United Kingdom and Canada increased from 4.03% and 5.41% in 2023 to 4.45% and 5.9% in 2024, respectively. Unemployment rates in major emerging markets and developing economies remain high but mostly show a downward trend. Russia's unemployment rate reached a historic low of 2.4% in June 2024. Youth unemployment rates remain high globally, with no significant improvement expected in the short term.

The global economy is currently experiencing a complex interplay of short-term issues and long-term factors. Uncertain short-term factors are emerging continuously, while deep-seated contradictions and structural issues are becoming increasingly prominent. Compared to the past, the global economy now faces greater challenges and lacks sufficient growth momentum.

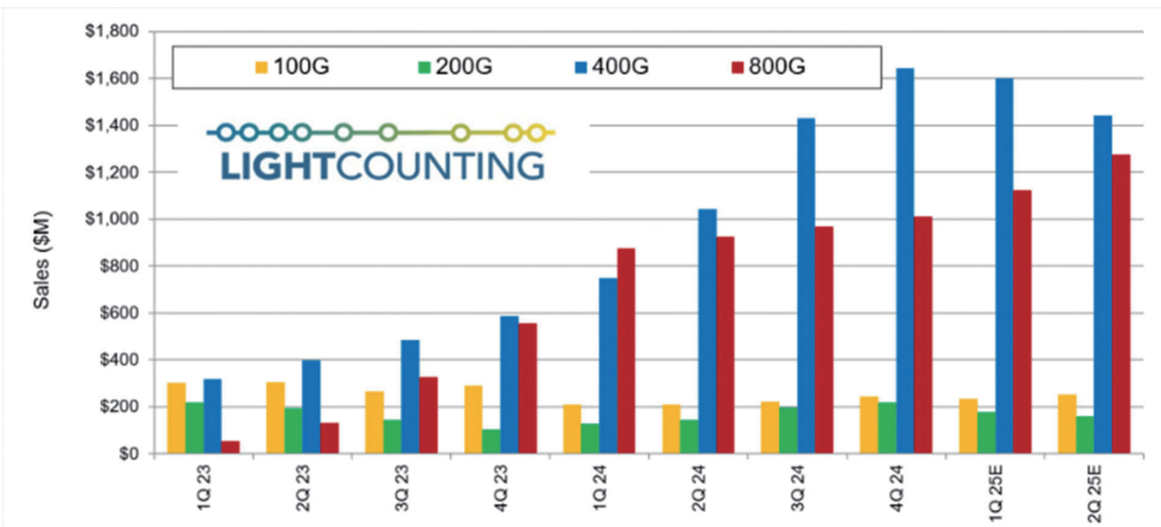
It is considered that the administration of US governance may have a significant impact on the global economy. On one hand, the administration might adopt domestic measures such as tax cuts, regulatory relaxation, and large-scale fiscal stimulus, potentially stimulating the continued expansion of the U.S. economy temporarily. On the other hand, it may impose tariffs on global trade, hindering trade recovery, undermining multilateral trade rules, potentially triggering a global 'trade war,' and exacerbating the fragmentation of global trade, thereby posing risks of further division in the world economy.

Given the current international economic and political environment and the global economic outlook, the world economy is expected to continue on a moderate to low growth trajectory in 2025, with a projected growth rate of approximately 3.0%. The growth rates of emerging markets and developing economies are likely to significantly outpace those of developed economies. However, there remains a possibility that significant geopolitical turmoil or escalating trade frictions could lead to a notable slowdown in global economic growth.

INDUSTRY OVERVIEW

With the rise of generative artificial intelligence, the era of ultra-high computing power represented by ChatGPT has begun, driving the demand for optical transmission. The need for 400G and higher-speed optical modules in cloud networks is increasing, and AI-driven optical modules are advancing towards high-speed technologies such as 400G/800G/1.6T, thereby boosting the demand for optical modules and related device products. The optical module industry is anticipated to undergo rapid development.

Chart 3 – Global sales of optical module



Source: LightCounting proprietary vendor survey and estimates

In 2024, the industry's activity and profitability reached new levels. According to the "Quarterly Market Update: June 2025" from LightCounting, global optical module sales are projected to grow by approximately 10% in the second quarter of 2025, following flat sales in the first quarter. This growth is mainly due to strong sales of 800G Ethernet transceivers. Additionally, 1.6T transceivers are expected to ship for the first time this quarter but are forecasted to have only a moderate impact on overall market growth. As hyperscale cloud providers like Amazon and Meta gradually transition to higher-speed modules, demand for 400G Ethernet modules is decreasing. Nonetheless, sales of 400G and 800G active optical cables (AOCs) are predicted to remain stable. Moreover, the market for transceivers related to DWDM (dense wavelength division multiplexing), FTTH (fibre to the home), and WFH (work from home) scenarios rebounded this quarter after experiencing a seasonal dip in the first quarter, adding new energy to the overall market.

In summary, propelled by insatiable AI-driven demands for ultra-high-speed data transmission, the optical module industry is experiencing robust growth and rapid technological advancement towards 800G and 1.6T speeds. While the transition cycle sees 400G demand moderating, the immediate strength in 800G shipments and the nascent emergence of 1.6T, coupled with stable AOC sales and a rebound in key adjacent markets (DWDM, FTTH), paint a picture of a dynamic and expanding market well-positioned for sustained development. This positive trajectory underscores the strategic importance and growth potential within the optical components sector.

VALUATION METHODOLOGY AND BASIS

We have conducted the Valuation in accordance with the International Valuation Standard. The valuation procedures employed include an assessment of key assumptions, estimates, and representations made by the proprietor or the operator of the Target Company. All the matters we consider essential to the proper understanding of the Valuation are disclosed in our valuation report. In arriving at our assessed value, we have considered three accepted approaches, namely, income approach, cost approach and market approach.

Income approach: provides an indication of value by converting future cash flows to a single current asset value and is commonly applied to an aggregation of assets consisting of all assets of a business enterprise, including working capital and tangible and intangible assets. Value is derived based upon the present worth of economic benefits of ownership of asset.

Cost approach: provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. Value is established based on cost of reproducing or replacing the asset, less depreciation or amortization from functional and economic obsolescence, if present and measurable.

Market approach: provides an indication of value by comparing a business, business ownership interest, security, or intangible asset with identical or comparable subjects for which the pricing information is available. Value is established based on the principle of comparison, meaning that if one thing is similar to another and could be used for the other, then they must be similar. Furthermore, the price of two alike and similar items should be approximate to one another.

The guideline public company method (GPCM) is one of the methods under the market approach. This method estimates the value of a business by reference to the valuation multiples of publicly listed comparable companies with similar business models, capital structure, risk profiles and growth aspects. This is one of the most commonly used methods for the valuations of private companies.

Selection of the Valuation Approach for the Target Company – Market Approach:

In this valuation, the cost approach is considered not appropriate as it ignores the economic benefits of ownership of the business. The income approach is not adopted in this exercise as the cash flow projections for the business of the Target Company would require numerous assumptions on projected growth/changes in revenue streams, cost of revenue, operating expenses, administrative expenses, projected movements in working capital balances, and expected capital expenditure. Such assumptions and estimations are therefore not easily verifiable, supportable or reliably measured. As the market approach is a common valuation method for operating companies like the Target Company, we have therefore adopted the market approach in this exercise.

We have adopted the GPCM under the market approach, and the multiples applicable to the Target Company are derived with reference to the valuation multiples of the comparable companies ("**Comparable Companies**") of the Target Company.

For the purpose of our valuation, we have also derived the Fair Value of the Equity based on the available information and presently prevailing as well as prospective operating conditions of the business and by taking into consideration other pertinent factors which basically include the followings:

– the market and the business risks;

– the general economic outlook as well as specific investment environment;

– the nature and current financial status;

– the historical performance; and

– the assumptions as stated in the section of Assumptions in this report.

In assessing the relationship of a company's valuation with its fundamentals, the following valuation multiples are commonly considered: the price-to-sales ratio ("**P/S**"), the price-to-earnings ratio ("**P/E**"), the enterprise value-to-earnings before interest, tax, depreciation and amortization ("**EV/EBITDA**"), and the price-to-book ratio ("**P/B**"). These multiples serve as standard benchmarks since their inputs are readily available from public sources and reflect market participants' perspectives on comparable businesses.

EV/EBITDA requires adjustments to the Target Company's enterprise value for debt, cash, and minority interests to derive equity value, introducing additional layers of subjectivity. We sought to minimize such complexity and subjectivity. Conversely, price multiples (P/B, P/S, and P/E) provide a more direct benchmark against observed equity market prices of guideline public companies and are thus preferred.

P/B focuses primarily on tangible assets and does not adequately capture the Target Company's significant intangible value drivers; it was therefore excluded. P/S is inappropriate as it focuses on revenue without accounting for profitability, a key value determinant for profitable businesses such as the Target Company.

Consequently, P/E is deemed the most appropriate multiple. It directly values earnings attributable to common shareholders, aligning with equity investors' perspective. P/E inherently incorporates both the Target Company's profitability and future earnings expectations, providing a clear benchmark against peers. Normalizing net profit attributable to shareholders offers a suitable earnings base for this multiple.

IDENTIFICATION OF SUITABLE COMPARABLE COMPANIES

We have identified relevant comparable companies based on multiple sets of selection criteria in order to sort out particular companies that are comparable to the subject companies in terms of risks and business nature.

We have adopted the following screening process in arriving at our initial shortlist of companies to further sort out appropriate Comparable Companies for the Target Company:

– The shortlisted companies should be publicly traded with primary listings on either the Hong Kong Stock Exchange (HKEX) or the mainland China stock exchanges (Shanghai Stock Exchange/SSE or Shenzhen Stock Exchange/SZSE).

– The shortlisted companies should be classified under the communication equipment industry according to the Bloomberg Industry Classification System (BICS).

The Target Company generates revenue primarily from the business of manufacturing optical assemblies, modules and transmission components. We aim to identify Comparable Companies with similar revenue sources as the Target Company. We calculated their latest annual revenue attribution percentages to verify if these companies have been principally operating optical assemblies, modules and transmission component manufacturing business. The Comparable Companies should also demonstrate sufficient trading activities before the Valuation Date.

To ensure relevance and consistency, the selected Comparable Companies should meet the following criteria:

– 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.

– The financial information of the Comparable Companies must be publicly available.

– The Comparable Companies' historical trading data must be sufficient and available.

– 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.

Following the above process, 7 listed companies, namely Eoptolink Technology Inc Ltd, Zhongji Innolight Co Ltd, Accelink Technologies Co Ltd, Suzhou TFC Optical Communication Co Ltd, Yangtze Optical Fibre & Cable Joint Stock Ltd Co, Wuxi Taclink Optoelectronics Technology Co Ltd, and Shenzhen SDG Information Co Ltd, fit the above selection criteria.

They are considered appropriate Comparable Companies due to similar business nature, similar revenue segmentation and having sufficient public financial information and trading data for this valuation. The list of selected Comparable Companies is exhaustive in terms of the above criteria.

Details of these Comparable Companies, including their company names, stock code, percentage of revenue attributable to optical assemblies, modules and transmission components ("**Attribute Revenue %**") and their company descriptions are summarized in the following table.

Name	Stock Code	Attributable Revenue %	Company Description
Eoptolink Technology Inc Ltd ("**Eoptolink**")	300502 CH	99.45%	Eoptolink Technology Inc., Ltd. designs and manufactures communication components. Eoptolink Technology produces optical transceiver modules, and sells products around the world.
Zhongji Innolight Co Ltd ("**Zhongji Innolight**")	300308 CH	96.8%	Zhongji Innolight Co., Ltd. researches, develops, manufactures, and distributes optical communications modules and devices. Zhongji Innolight produces optical communication transceiver modules and optical devices. Zhongji Innolight serves domestic and overseas customers.
Accelink Technologies Co Ltd ("**Accelink**")	002281 CH	99.17%	Accelink Technologies Co., Ltd. manufactures passive optical components, optical instruments, and integrated photo-electronic devices. Accelink also provides technical service and solution consultation.
Suzhou TFC Optical Communication Co Ltd ("**Suzhou TFC Optical**")	300394 CH	99.38%	Suzhou TFC Optical Communication Co., Ltd. researches, develops, and distributes fiber and optical components.
Yangtze Optical Fibre & Cable Joint Stock Ltd Co ("**Yangtze OFC**")	6869 HK	80.98%	Yangtze Optical Fibre and Cable Joint Stock Limited Company manufactures optical transmission component products. Yangtze OFC markets its products domestically and internationally.
Wuxi Taclink Optoelectronics Technology Co Ltd ("**Wuxi Taclink**")	688205 CH	99.6%	Wuxi Taclink Optoelectronics Technology Co., Ltd. manufactures and distributes communications equipment. Wuxi Taclink produces and sells optical transceiver module, optical amplifier, optical transmission subsystem, optical components, and other related products. Wuxi Taclink markets its products throughout China.
Shenzhen SDG Information Co Ltd ("**SZ SDG**")	000070 CH	66.46%	Shenzhen SDG Information Co., Ltd. manufactures and markets optical transmission components, communication equipment, electrolytic condensers, and electronic components.

In view of the exhaustive screening process, all Comparable Companies meeting the selection criteria have been adopted to ensure a representative peer set. The products of these Comparable Companies are substantially similar to the Target Company's optical modules and transmission components, serving high-speed connectivity applications in data centers and telecommunications networks. This is supported by: (i) the high Attributable Revenue % threshold (all 7 comps >50%, with 5 exceeding 90% and the sixth at 80.98%), ensuring comparable business model exposure; (ii) functional equivalence in core product capabilities (i.e. optical modules and components for high-speed networks); and (iii) alignment with the same end-markets.

The share price, adjusted earnings per shares ("**EPS**") and the P/E of the Comparable Companies included in our valuation were as follows:

As at 30 April 2025

Name	**Original EPS (RMB)***	**Post-tax non -recurring income per share****	**Post-tax non -recurring expense per share****	**Adjusted EPS (RMB)***	**Share Price (RMB)***	**Original P/E**
	(A)	**(B)**	**(C)**	**(D) = (A) – (B) + (C)**	**(E)**	**(F) = (E) ÷ (D)**
Eoptolink	4.12	0.12	0.00	**4.00**	63.88	15.97
Zhongji Innolight	5.16	0.09	0.03	**5.10**	83.49	16.37
Accelink	0.97	0.01	0.04	**1.00**	42.46	42.46
Suzhou TFC Optical	1.81	0.03	0.00	**1.78**	48.71	27.37
Yangtze OFC	1.02	0.32	0.46	**1.16**	12.75***	10.99
Wuxi Taclink	0.59	0.16	0.01	**0.44**	45.74	103.95
SZ SDG	(0.48)	0.02	0.25	**(0.25)**	6.05	N/A****

* *The original EPS (post-tax) are based on data sourced from Bloomberg and the Comparable Companies' latest financial statements up to the Valuation Date. The adjusted EPS is derived from the original EPS adding back post-tax non-recurring expense per share and deducting post-tax non-recurring income per share.*

** *The post-tax non-recurring income and expenses are sourced from Bloomberg. They generally include one-off items such as litigation settlements, one-off gain or loss on investments or disposal of assets, one-off impairments, and other non-recurring financial items, as categorized by Bloomberg.*

*** *Share price of Yangtze OFC was HKD13.60 as of 30 April 2025, and was converted from HKD to RMB at the exchange rate: 1 HKD to 0.9376 RMB.*

**** *As SZ SDG has negative earnings, it is considered not comparable to the profitable companies like the Target Company. P/E of SZ SDG is derived to be negative and is therefore excluded.*

In valuations, the Z-score method is commonly used to identify outliers in peer group multiples, defining them as data points where |Z| > 1, i.e., beyond one standard deviation ("**SD**") above or below the mean. This threshold was applied to (1) ensure peer group comparability to the subject business of the Target Company; (2) exclude multiples fundamentally disconnected from the core peer group; and (3) align with common valuation practice for small datasets of valuation multiples.

The Z-score method is a common statistical methodology that is taught in professional finance programs, and is recommended in foundational valuation texts, such as Investment Valuation and other texts published by Aswath Damodaran, a professor of finance at the Stern School at New York University, for identifying outliers. For small datasets (with less than 10 peers), 1 SD is pragmatically preferred over stricter statistical thresholds to avoid over-exclusion while still filtering extreme outliers. Using 1 SD effectively balances the need to retain the core majority of data points representing central market tendencies while significantly reducing the risk of distortion from extreme values, which is critical for deriving a reliable median multiple.

The mean and SD of the P/E multiples (from the seven companies after excluding the negative earnings company) were 36.19 and 35.06, respectively. The range of one SD is approximately -96.9% below the mean to +96.8% above the mean, corresponding to real figures of 1.13 and 71.24 respectively. The P/E for Wuxi Taclink of 103.95 exceeded the upper bound and was therefore excluded as an outlier.

The impact of excluding Wuxi Taclink is significant: including its P/E multiple would increase the implied valuation of the Target Company from approximately USD25 million to USD33 million, after accounting for valuation adjustments detailed in subsequent sections of the report. This 32% increase is solely attributable to a single extreme multiple that is 145% higher than the next highest peer (42.46). Such a disproportionate impact demonstrates that Wuxi Taclink's P/E is not representative of the peer group and would distort the valuation.

Beyond statistical deviation, a review of financial fundamentals confirms Wuxi Taclink's incompatibility with the peer group. Its latest trailing-twelve-months EPS year-on-year growth rate (10%) was the lowest in the peer group (after excluding SZ SDG for its negative P/E), starkly contrasting with the group's mean (97%) and median (44%) growth. This creates a fundamental disconnect: while Wuxi Taclink's P/E multiple implies aggressive growth expectations (103.95x), its actual growth trajectory (10%) is the weakest among peers. Including a company with such contradictory signals, i.e. having high valuation multiple but low growth, would misrepresent the peer group's economic reality and artificially inflate the Target Company's valuation.

We consider the exclusion fair and reasonable because the distortionary effect of the outlier is evident in the significant valuation increase, and the resulting median P/E is based on a cohesive peer group that better reflects the subject company's operational and financial characteristics.

When calculating valuation multiples, adjustments for differences in company size are often considered. Larger companies typically have lower expected returns, which translate into higher values. In contrast, smaller companies are perceived as having higher risks associated with their business operations and financial performance, resulting in higher expected returns and lower valuation multiples. In this exercise, the size premia for the companies were referenced from the CRSP Deciles Size Premium Studies ("**CRSP Studies**") by Kroll Inc. (formerly Duff & Phelps).

To account for the impact of varying market capitalizations between the comparable companies and the Target Company, the common proposed adjustment to the P/E ratio reflecting the size difference is outlined below:

$$Adjusted\ \frac{P}{E}\ Multiple = \frac{1}{\frac{1}{\frac{P}{E}\ Multiple} + Size\ Premium\ \Delta}$$

Size Premium Δ ("**SP Δ**") = Size premium of the Target Company ("**TCSP**") – Size premium of each of the Comparable Companies ("**CCSP**")

In accordance with the CRSP Studies, distinct size premiums are assigned based on market capitalization categories: 0.66% for Mid Cap, 1.24% for Low Cap, and 2.91% for Micro Cap companies, as outlined in the below table. This methodology has been applied to both the Target Company and the Comparable Companies, with the appropriate premium selected according to their respective market capitalizations.

Size category	**Range of market capitalization** *USD million*	**Size premium**
Mid Cap	3,011–14,820	0.66%
Low Cap	556–3,011	1.24%
Micro Cap	1.6–555	2.91%

The following table shows the details of the original and adjusted P/E multiples of each of the selected Comparable Companies:

Name	Market capitalization (USD million)*	Original P/E (A)	TCSP (B)	CCSP (C)	SP Δ (D)=(B)–(C)	Adjusted P/E 1/1/(A)+(D)
Eoptolink	8,716.13	15.97	1.24%	0.66%	0.58%	14.62
Zhongji Innolight	12,681.82	16.37	1.24%	0.66%	0.58%	14.95
Accelink	4,633.19	42.46	1.24%	0.66%	0.58%	34.07
Suzhou TFC Optical	5,194.42	27.37	1.24%	0.66%	0.58%	23.62
Yangtze OFC	1,328.84**	10.99	1.24%	1.24%	0.00%	10.99
Mean						19.65
Median						14.95

* *The market capitalizations of the Comparable Companies were calculated as the product of their respective share prices and their respective numbers of share outstanding as at the Valuation Date. The share prices were converted from their local currency (i.e. RMB and HKD) to USD at the exchange rates of USD0.1375 per RMB and USD0.1289 per HKD. All data used here are sourced from Bloomberg.*

** *This is based on H-share metrics.*

The mean and median size-adjusted P/E multiples of the selected comparable companies (after excluding outliers) are 19.65 and 14.95, respectively. This significant disparity (mean 32% higher than median) confirms upward skewness in the dataset, where higher multiples disproportionately influence the average. Foundational valuation texts (e.g., Damodaran's Investment Valuation) consistently recommend using median multiples over means for comparable company analysis when (1) datasets are small (n=5 companies here), (2) distributions are skewed, or (3) sector dynamics naturally produce skewed multiple distributions (common in technology-intensive industries, like the optical module, component and assemblies industry, where a wide dispersion in growth prospects and profitability stages leads to a non-symmetric spread of multiples). Therefore, the median size-adjusted P/E multiple of 14.95 is adopted in this valuation.

DISCOUNT FOR LACK OF MARKETABILITY ("DLOM")

Privately held companies are not readily marketable and would face more difficulty in converting its shares into cash as compared with publicly held companies. DLOM is commonly considered in the valuations of privately held companies to reflect difference in the marketability of the shares of the subject private companies and that of the selected publicly traded comparable companies.

We generally select the appropriate DLOM based on the 2024 Stout Restricted Stock Study on Determining Discount for Lack of Marketability (latest available to date), which incorporated an examination of 779 private placement transactions of unregistered common stock, with and without registration rights, issued by publicly traded companies from July 1980 through March 2024. The discount of 20.4% implied by these 779 private placement transactions in comparison with the corresponding publicly traded common stocks and is generally considered an appropriate proxy for DLOM for closed held private businesses.

As detailed in the Financial Review section of this report, in order to derive the normalized net income used in the P/E multiple calculation, the CS Attributable NPAT (sourced from the audited 2024 financial statements) was adjusted. Specifically, post-tax amounts for non-recurring income and expenses were reversed, as these items are not representative of the Target Company's sustainable core earnings. This normalized net income is then multiplied by the adjusted P/E multiple to calculate the underlying equity value.

Since the above equity value only reflects the value attributable solely to the core optical assemblies, modules, and transmission component manufacturing operations, non-operating assets were added to and non-operating liabilities deducted from this equity value in order to reflect a value incorporating holdings of such non-operating net assets. This includes items such as financial assets and liabilities held for trading. Finally, the DLOM was applied to the adjusted equity value to arrive at the fair value of equity of Source Photonics.

Table: The Fair Value of the equity of the Target Company as of Valuation Date*

CS Attributable NPAT (RMB million)	(A)	388.46
Add back: Post-tax other expenses (RMB million)**	(B)	28.74
Deduct: Post-tax other income (RMB million)**	(C)	13.38
Normalized net profit (RMB million)	(A) + (B) – (C) = (D)	403.82
Normalized net profit (USD million, converted at the exchange rate of USD 0.1375 per RMB)	(D) x 0.1375 = (E)	55.53
Adjusted P/E	(F)	14.95
Equity Value before adjustment for non-operating assets and liabilities (USD million)	(E) x (F) = (G)	830.17
Add: Non-operating assets (USD million)***	(H)	1.93
Deduct: Non-operating liabilities (USD million)***	(I)	51.49
Equity Value before marketability discount adjustment (USD million)	(G) + (H) – (I) = (J)	780.61
DLOM	(K)	20.4%
Equity Value after marketability discount (USD million)	(J) x 1 – (K) = (L)	621.37
Shareholding (%)	(M)	4.0%
Fair Value of the 4.0% equity of Source Photonics (USD million) (rounded to the nearest million)	(L) x (M) = (N)	25.00****

* *With reference to the Financial Review section of this report, all financial data used in this table is sourced from the 2024 audited financial statements of the Target Company issued on 23 April 2025.*

** *Refer to page IV-2.*

*** *Refer to page IV-4.*

**** *Figures may not exactly add up due to rounding.*

SOURCE OF INFORMATION AND CAVEATS

We have been provided with extracts of copies of relevant documents and financial information relating to the Target Company. We have relied upon the aforesaid information in forming our opinion of the Fair Value. However, we have not inspected the original documents to ascertain any amendments which may not appear on the copies handed to us. We have no reason to doubt the truth and accuracy of the said information which is material to the valuation. We have also been advised by the Target Company that no material facts have been omitted from the information provided. We have also made relevant inquiries and obtained further information as considered necessary for the purpose of this valuation.

While we have exercised our professional knowledge and cautions in adopting assumptions and other relevant key factors in our valuation, those factors and assumptions are still vulnerable to the change of the business, economic environment, competitive uncertainties or any other abrupt alternations of external factors.

ASSUMPTIONS

In the course of valuation, the following specific assumptions and caveats have been made. We have based on the following to arrive at the Fair Value of the Target Company.

- It was assumed that the financial and operational information and information on the capital structure of the Target Company provided by the Company are accurate and truthful. We relied to a considerable extent on such information in arriving at their opinion of value.

- As the financial statements of the Target Company after 31 December 2024 are not available to us, we have principally relied upon the 2024 audited report of the Target Company issued on 23 April 2025 to conduct the valuation. It is assumed that the annual net profits of the Target Company did not change materially from 31 December 2024 to the Valuation Date.

- According to the Company, the terms of the previous financing round investment agreements set December 2025 as the original exit date for the Target Company's shares. As discussions with management indicate a prospective purchaser will acquire over 90% of the shares and treat all shares equally, we have also treated all shares of the Target Company equally in this Valuation.

- It was assumed that the Target Company will continue to operate the business of optical assemblies, modules and transmission component manufacturing in the foreseeable future.

- The Target Company recognized a net loss attributable to minority interests for 2024. When normalizing net income by adjusting for non-recurring other income and expenses, the minority interest loss is assumed to be non-recurring. Consequently, the full amount of these adjustments is allocated to the CS Attributable NPAT.

- It was assumed that there were no hidden or unexpected conditions associated with the assets valued that might adversely affect the reported value.

- There would be no major changes in existing political, legal, fiscal or economic conditions in the country or district where the business was in operation.

- There would be 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.

- The inflation, interest rates and currency exchange rates would not differ materially from those presently prevailing.

- The Target Company would retain their management and technical personnel to maintain their ongoing operations.

- There would be no major business disruptions through international crisis, industrial disputes, industrial accidents or severe weather conditions that would affect the existing business.

- 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.

- 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.

- The optical assemblies, modules and transmission component manufacturing business was not subject to any unusual or onerous restrictions or encumbrances.

LIMITING CONDITIONS

We have to a considerable extent relied on the financial data and other related information provided by the Target Company. We are not in a position to comment on the lawfulness of the business.

To the best of our knowledge, the statements of facts contained in this document, upon which the analysis and conclusions expressed are based, are true and correct. Information, estimates and opinions furnished to us and contained in this document or utilized in the formation of the Valuation were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items is assumed by or imposed on us.

To the extent that any of the adopted assumptions or facts provided to us are changed, the result of the Valuation would be different. It should be noted that the financial information regarding the Target Company provided to us has been represented by management and was assumed for the purposes of this opinion that such information was reasonably prepared with diligence and based on best efforts of management as to the current results of the operations and financial conditions of the Target Company.

Neither the whole, nor any part of this report and valuation, nor any reference thereto may be included in any documents, circular or statement without our written approval of the form and context in which it will appear.

MANAGEMENT CONFIRMATION OF FACTS

A draft of this report and our calculations have been sent to management of the Company. They have reviewed and orally confirmed to us that the facts, as stated in this report and calculations, are accurate in all material respects. Management confirms that they have performed the necessary due diligence on the information provided and understands that any material changes or errors in such information could lead to a substantial change in our valuation result. As of the date of this report, they are not aware of any material matters relevant to our engagement that were excluded.

Management should also acknowledge that the valuation was carried out using theoretical valuation approaches and thus could be different from any potential transaction prices. The valuation result should therefore be used for the Company's circular reference purpose only. It is noted that Management has reviewed all valuation results and agreed with all relevant valuation inputs and calculations.

REMARKS

Unless otherwise stated, all money amounts are stated in United States dollars ("**USD**").

We hereby confirm that we have neither present nor prospective interests in the Company, the Target Company and their respective holding companies, subsidiaries and associated companies, or the value reported herein.

The conclusion of value is based on accepted valuation procedures and practices that rely substantially on the use of numerous assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. Further, while the assumptions and other relevant factors are considered by us to be reasonable, they are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond the control of the Target Company, the Company and us.

OPINION OF THE VALUE

Based on the investigation and analysis stated above and the valuation method employed, we are of the opinion that as at the Valuation Date, the Fair Value of the 4.0% Equity of the Target Company was reasonably stated as approximately USD25 million.

Yours faithfully,
For and on behalf of
APAC Asset Valuation and Consulting Limited

Jasper Chan
CFA, FRM
Director

Note:

Jasper Chan, CFA, FRM

Mr. Jasper Chan is a CFA® charterholder and a certified FRM® with over 10 years of experience in handling valuations and financial modelling for financial reporting, merger and acquisition, financial derivatives, intangible assets, biological assets, mine valuations, etc. He also has extensive experience in providing valuation advisory services to private equity funds and providing litigation support in relation to commercial and matrimonial disputes. His work has covered a range of different industries including manufacturing, financial services, mineral resources, forestry, IT, pharmaceutical, casinos & gaming, etc.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executive of the Company

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be (a) notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and the chief executive of the Company were deemed or taken to have under such provisions of the SFO); or (b) recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO; or (c) notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers and the Stock Exchange were as follows:

Interests in the shares and underlying shares of the Company

Name of Director	Nature of interests	Number of Shares or underlying shares held(1)	Approximate % of shareholding
Ms. Yu Rumin(2)	Founder of a discretionary trust(2)	840,000,000 (L)	51.65
	Interest of spouse(4)	56,184,000 (L)	3.46
	Beneficial owner	14,784,000 (L)	0.91
Mr. Yu Jinlai(3)	Beneficiary of a discretionary trust(3)	840,000,000 (L)	51.65
Ms. Yu Ruping(3)	Beneficiary of a discretionary trust(3)	840,000,000 (L)	51.65
	Beneficial owner	14,784,000 (L)	0.91

Name of Director	Nature of interests	Number of Shares or underlying shares held[1]	Approximate % of shareholding
Mr. Shi Ming	Interest of spouse[4]	854,784,000 (L)	52.56
	Beneficial owner	56,184,000 (L)	3.46

Notes:

(1) The letter "L" denotes the person's "long position" (as defined under Part XV of the SFO) in the relevant shares.

(2) Pacific Mind Development Limited ("**Pacific Mind**") owned 840,000,000 Shares, representing 51.65% of the total number of the Shares. The issued share capital of Pacific Mind is directly owned by UBS Nominee Limited, a company incorporated in the Island of Jersey, being the nominee, holding the entire issued share capital of Pacific Mind for UBS TC (Jersey) Limited ("**Trustee**"). The Trustee is a trustee of a discretionary trust ("**Family Trust**") set up by Ms. Yu Rumin for which it acts as the trustee and Ms. Yu Rumin, her family members and any persons being approved are the beneficiaries. Ms. Yu Rumin as founder of the Family Trust is taken to be interested in the 840,000,000 Shares held by Pacific Mind by virtue of Part XV of the SFO.

(3) The Shares were held by Pacific Mind in the capacity of a legal beneficial owner. Since each of Mr. Yu Jinlai and Ms. Yu Ruping is a beneficiary of the family trust, each of Mr. Yu Jinlai and Ms. Yu Ruping was deemed to be interested in the shares held by Pacific Mind under the SFO.

(4) Mr. Shi Ming and Ms. Yu Rumin are spouse of each other. Therefore, they are deemed under the SFO to be interested in the Shares held by each other.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, the chief executive of the Company nor their associates, had any other interests or short positions in the Shares, underlying Shares and debentures of the Company or any associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive of the Company is taken or deemed to have under such provisions of the SFO); or which (b) were required to be entered into the register maintained by the Company, pursuant to Section 352 of the SFO; or which (c) were required to be notified to the Company or the Stock Exchange, pursuant to the Model Code for Securities Transaction by Directors of Listed Companies contained in the Listing Rules.

(b) Substantial Shareholders and persons having 5% or more shareholding

As at the Latest Practicable Date, the register of substantial shareholders maintained under Section 336 of the SFO shown that the Company has been notified of the following interests, being 5% or more of the Company's issued share capital. These interests are in addition to those disclosed above in respect of the Directors and the chief executive of the Company.

Interests in the shares and underlying shares of the Company

Name	Nature of interests	Number of Shares or underlying shares held[1]	Approximate % of shareholding
Pacific Mind Development Limited[2]	Beneficial owner	840,000,000 (L)	51.65
UBS TC (Jersey) Limited[2]	Trustee	840,000,000 (L)	51.65
UBS Nominee Limited[2]	Interest in controlled corporation	840,000,000 (L)	51.65
Mr. Yu Jianguang[3]	Interest of spouse	854,784,000 (L)	52.56

Notes:

(1) The letter "L" denotes the person's "long position" (as defined under Part XV of the SFO) in the relevant shares.

(2) Pacific Mind owned 840,000,000 Shares, representing 51.65% of the total number of the Shares. The issued share capital of Pacific Mind is directly owned by UBS Nominee Limited, a company incorporated in the Island of Jersey, being the nominee holding the entire issued share capital of Pacific Mind for the Trustee in respect of the Family Trust. The Trustee is a trustee of the Family Trust set up by Ms. Yu Rumin for which it acts as the trustee and Ms. Yu Rumin, her family members and any persons being approved are the beneficiaries.

(3) Mr. Yu Jianguang is the spouse of Ms. Yu Ruping and is therefore deemed under the SFO to be interested in the Shares held by Ms. Yu Ruping.

Save as disclosed above, as at the Latest Practicable Date, the Directors and chief executive of the Company were not aware of any person (other than a Director or chief executive of the Company) who had any other interests or short positions in the Shares or underlying Shares and debentures of the Company which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

3. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had any existing service contract or proposed service contract with any member of the Group which will not expire or is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

4. DIRECTORS' INTERESTS IN ASSETS AND CONTRACTS

As at the Latest Practicable Date:

(a) none of the Directors was materially interested, directly or indirectly, in any contract or arrangement subsisting which was significant in relation to the business of the Group; and

(b) none of the Directors nor their respective associates had any direct or indirect interests in any assets which had been acquired or disposed of by or leased to, or were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in a business which competes or may compete with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling shareholder of the Company).

6. EXPERT

The following is the qualification of the expert who has given opinions or advice which are contained in this circular:

Name	**Qualification**
BDO Limited	Certified Public Accountants
APAC Asset Valuation and Consulting Limited	independent professional valuer

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter and references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the above experts did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the above experts did not have, directly or indirectly, any interest in any assets which had since 31 December 2024 (being the date to which the latest published consolidated audited financial statements of the Group were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

7. DOCUMENTS ON DISPLAY

Electronic copies of the following documents are available on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.jsnfgroup.com) for a period of 14 days from the date of this circular:

(a) the material contracts referred to in the paragraph headed "9. Material Contracts" below in this appendix;

(b) the written consents from the experts referred to in the paragraph headed "6. Expert" above in this appendix;

(c) this circular; and

(d) the Valuation Report.

8. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation, arbitration or claim of material importance and, so far as the Directors are aware, no litigation, arbitration or claim of material importance was pending or threatened against any member of the Group.

9. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business of the Group) had been entered into by members of the Group within the two years immediately preceding the Latest Practicable Date and are or may be material:

(a) the Sale and Purchase Agreement;

(b) the framework agreement dated 26 November 2023 entered into between Pacific Smart, Vantone Neo Development Group Co., Ltd., 11 shareholders of the Target Company (who in aggregate held approximately 56.15% shareholding of the Company), the participants of the Target Company's 2017 employee share option scheme and the Target Company in relation to the Sale Shares;

(c) the formal sale and purchase agreement dated 23 June 2024 entered into between Pacific Smart and Vantone Neo Development Group Co., Ltd. in respect of the Sale Shares;

(d) supplemental agreement dated 23 September 2024 entered into between Pacific Smart and Vantone Neo Development Group Co., Ltd. in respect of the Sale Shares;

(e) 2nd supplemental agreement dated 31 October 2024 entered into between Pacific Smart and Vantone Neo Development Group Co., Ltd. in respect of the Sale Shares; and

(f) 3rd supplemental agreement dated 31 December 2024 entered into between Pacific Smart and Vantone Neo Development Group Co., Ltd. in respect of the Sale Shares.

10. MISCELLANEOUS

Ms. Lo Moon Fong, who is a member of the Hong Kong Institute of Certified Public Accountants and is a Certified Financial Planner, is the company secretary of the Company.

The registered office of the Company is at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal share registrar and transfer office of the Company in the Cayman Islands is Conyers Trust Company (Cayman) Limited at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The branch share registrar and transfer office of the Company in Hong Kong is Tricor Investor Services Limited at 17/F., Far East Finance Centre, 16 Harbourt Road, Hong Kong. The principal place of business of the Company in Hong Kong is at Unit 902, 9/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong. The principal place of business of the Company in the PRC is at 1 Cencun Road, Luoyang Town, Wujin District, Changzhou City, Jiangsu Province, the PRC.

The English text of this circular and the accompanying form of proxy shall prevail over the Chinese text in the event of inconsistency.

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)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "**Meeting**") of Nanfang Communication Holdings Limited (the "**Company**") will be held at 3:00 p.m., on 15 September 2025 (Monday) at Unit 902, 9/F, Capital Centre, 151 Gloucester Road, Wan Chai, Hong Kong. The Meeting will be convened for the purposes of considering and, if thought fit, passing (with or without modifications) the following resolution as ordinary resolution:

Unless the context requires otherwise, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 25 August 2025.

ORDINARY RESOLUTION

"To (i) approve, confirm and ratify the Sale and Purchase Agreement dated 13 June 2025 entered into between Pacific Smart, an indirect wholly-owned subsidiary of the Company, as vendor and Multek Group (Hong Kong) Limited (超毅集團（香港）有限公司) as purchaser and Suzhou Dongshan Precision Manufacturing Co., Ltd. (蘇州東山精密製造股份有限公司) in respect of the disposal of the Sale Shares (a copy of which has been produced at the meeting and marked "A" for identification purpose) and the transactions contemplated thereby; and (ii) approve, ratify and confirm the authorisation to any one director of the Company on behalf of the Company, among other things, to sign, seal, execute and deliver all such documents as he/she may consider necessary, desirable or expedient for the purpose of or in connection with or to give effect to the Sale and Purchase Agreement and the transactions contemplated thereby, and to waive compliance from or agree and make such amendments of non-material nature to the terms of the Sale and Purchase Agreement that he/she may in his/her discretion consider to be desirable and in the interests of the Company and its shareholders as a whole."

By Order of the Board
Nanfang Communication Holdings Limited
Yu Rumin
Chairman

Hong Kong, 25 August 2025

Notes:

1. A shareholder of the Company entitled to attend and vote at the Meeting is entitled to appoint one or more proxy(ies) (if he/she/it is the holder of two or more shares) to attend and on a poll, vote instead of him/her at the Meeting that the appointment shall specify the number and class of shares in respect of which such proxy is so appointed. A proxy need not be a member of the Company.

2. In order to be valid, the instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power of authority, must be lodged with the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong not less than 48 hours (i.e. 3:00 p.m. on 13 September 2025 (Saturday)) before the time appointed for holding the Meeting or any adjournment thereof.

3. Completion and return of the form of proxy will not preclude members from attending and voting in person at the Meeting or at any adjourned meeting thereof (as the case may be) should they so wish, and in such event, the form of proxy shall be deemed to be revoked.

4. Where there are joint registered holders of any shares, any one of such joint holders may vote, either in person or by proxy in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the Meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members of the Company in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.

5. If tropical cyclone warning signal no. 8 or above or "extreme conditions" caused by super typhoons or a "black" rainstorm warning signal is in force at 11:00 a.m. on 15 September 2025 (Monday), the Meeting will be postponed and further announcement for details of alternative meeting arrangements will be made. The Meeting will be held as scheduled even when tropical cyclone warning signal no. 3 or below is hoisted, or an amber or red rainstorm warning signal is in force. You should make your own decision as to whether you would attend the Meeting under bad weather conditions and if you should choose to do so, you are advised to exercise care and caution.

6. For determining the entitlement of the shareholders of the Company to attend and vote at the Meeting, the register of members of the Company will be closed from 9 September 2025 (Tuesday) to 15 September 2025 (Monday) (both days inclusive), during which period no transfer of shares of the Company will be effected. To qualify for attending and voting at the Meeting, all transfer documents accompanied by the relevant share certificates should be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong no later than 4:30 p.m. on 8 September 2025 (Monday). The record date for attending and voting at the Meeting is 15 September 2025 (Monday).

* *For identification purpose only.*