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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1617)**

**ANNOUNCEMENT OF INTERIM RESULTS**  
**FOR THE SIX MONTHS ENDED 30 JUNE 2025**

**HIGHLIGHTS**

For the six months ended 30 June 2025 (the “**Reporting Period**”), the Group’s operating results were as follows:

- Total revenue decreased by approximately 27.7% to approximately RMB185.5 million (six months ended 30 June 2024: approximately RMB256.8 million).
- Gross profit decreased by approximately 0.8% to approximately RMB34.3 million (six months ended 30 June 2024: approximately RMB34.6 million).
- Gross profit margin increased from approximately 13.5% for the six months ended 30 June 2024 to approximately 18.5% for the Reporting Period.
- Profit and total comprehensive income was approximately RMB26.1 million (six months ended 30 June 2024: approximately RMB5.5 million).
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2025.

The board (the “**Board**”) of directors (the “**Directors**”) of Nanfang Communication Holdings Limited 南方通信控股有限公司 (the “**Company**”) is pleased to announce the following unaudited condensed consolidated interim results of the Company and its subsidiaries (collectively the “**Group**”) for the six months ended 30 June 2025, together with the comparative unaudited figures for the six months ended 30 June 2024. The unaudited condensed consolidated interim results have not been audited and reviewed by the Company’s auditors, but have been reviewed by the audit committee of the Company.

## **CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

*FOR THE SIX MONTHS ENDED 30 JUNE 2025*

		<b>Six months ended 30 June</b>	
		<b>2025</b>	<b>2024</b>
		<b>RMB’000</b>	<b>RMB’000</b>
	<i>Notes</i>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Revenue</b>	3, 4	<b>185,520</b>	256,750
Cost of sales		<u><b>(151,207)</b></u>	<u>(222,146)</u>
<b>Gross profit</b>		<b>34,313</b>	34,604
Other income, gains, expenses and losses, net	5	<b>7,107</b>	9,474
Impairment losses on trade and other receivables under expected credit loss model, net of reversal		–	923
Changes in fair value of financial assets at fair value through profit or loss		<b>18,222</b>	–
Selling and distribution expenses		<b>(7,948)</b>	(11,061)
Administrative expenses		<b>(15,033)</b>	(17,457)
Research costs		<b>(13,678)</b>	(13,419)
Finance costs	6	<b>(4,253)</b>	(2,157)
Share of profit of an associate		<b>5,674</b>	5,180
Share of profit of a joint venture		<u><b>1,418</b></u>	<u>1,700</u>
<b>Profit before income tax</b>	8	<b>25,822</b>	7,787
Income tax credit/(expense)	7	<u><b>314</b></u>	<u>(2,268)</u>
<b>Profit and total comprehensive income for the period</b>		<u><b>26,136</b></u>	<u>5,519</u>
<b>Earnings per share</b>	9	<u><b>RMB0.016</b></u>	<u>RMB0.003</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**  
**AS AT 30 JUNE 2025**

		As at 30 June 2025 <i>RMB'000</i> (Unaudited)	As at 31 December 2024 <i>RMB'000</i> (Audited)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment		213,766	208,236
Right-of-use assets		45,660	46,134
Interest in an associate		112,900	107,076
Interest in a joint venture		51,320	49,902
Financial assets at fair value through profit or loss ("FVTPL")		179,500	161,278
Restricted bank deposits and balances	12	2,785	4,000
Bank deposits with original maturity more than three months		6,300	20,000
Deferred tax assets		25,876	24,488
		<u>638,107</u>	<u>621,114</u>
<b>CURRENT ASSETS</b>			
Inventories		25,869	27,313
Trade and bills receivables	11	349,487	436,221
Prepayments, deposits and other receivables		33,244	43,484
Restricted bank deposits and balances	12	78,363	169,631
Bank deposits with original maturity more than three months		–	10,500
Bank deposits, bank balances and cash		271,072	201,084
		<u>758,035</u>	<u>888,233</u>
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	13	237,049	278,330
Other payables		23,155	19,644
Contract liabilities		2,136	2,278
Bank borrowings	14	132,000	201,342
Tax payables		6,432	6,415
		<u>400,772</u>	<u>508,009</u>

		As at 30 June 2025 <i>RMB'000</i> <i>(Unaudited)</i>	As at 31 December 2024 <i>RMB'000</i> <i>(Audited)</i>
	<i>Notes</i>		
<b>NET CURRENT ASSETS</b>		<b>357,263</b>	<b>380,224</b>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>995,370</b>	<b>1,001,338</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	15	1,418	1,418
Reserves		842,702	816,566
Equity attributable to owners of the Company		844,120	817,984
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	14	127,000	159,000
Deferred tax liabilities		10,534	10,087
Deferred income – government grants		13,716	14,267
		151,250	183,354
		995,370	1,001,338

Notes:

## 1. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* issued by the International Accounting Standards Board (“IASB”) as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”).

## 2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values as appropriate.

Other than changes in accounting policies resulting from application of new International Financial Reporting Standards (“**IFRS Accounting Standards**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2025 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2024.

### **Application of amendments to IFRS Accounting Standards**

In the current interim period, the Group has applied the following amendments to IFRS Accounting Standards issued by the IASB, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2025 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IAS 21 and IFRS 1	Lack of Exchangeability
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The application of the new and amendments to IFRS Accounting Standards in the current period has had no material impact on the Group’s financial position and performance for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

## 3. REVENUE

### **(i) Disaggregation of revenue from contracts with customers**

The Group’s revenue represents amounts received and receivable from the sales of optical fibre cables, optical distribution network devices and prepainted steel sheet, net of discounts, customers’ returns and sales related tax that are recognised at a point in time.

Sales of the Group’s optical fibre cables, optical distribution network devices and prepainted steel sheet are principally made to customers located in the People’s Republic of China (“**PRC**”).

(ii) **Performance obligations for contracts with customers**

The Group sells optical fibre cables and optical distribution network devices to the four state-owned telecommunication network operators in the PRC (the “**Major PRC Telecommunications Network Operators**”) and other companies according to the relevant sales agreements. Revenue is recognised when control of optical fibre cables and optical distribution network devices has been transferred, being when they have been delivered to the customers’ specific locations based on the quantity of optical fibre cables and optical distribution network devices received by the customers. A receivable is recognised by the Group as this represents the point in time at which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. No provision for returns of optical fibre cables and optical distribution network devices is set out in the relevant sales agreements, unless they could be replaced if quality problems are found. The customers have neither rights of return nor rights to defer or avoid payment for the goods once the goods are received by the customers. The Group usually issues invoices in six months after completion of delivery of goods. According to the relevant sales agreements entered into between the Group and the Major PRC Telecommunications Network Operators, 70% – 90% of invoiced amounts is receivable upon issue of invoices. The Group allows credit period within six months to the Major PRC Telecommunication Network Operators for the receipt of the remaining balances. In addition, the Group granted credit periods of not more than one year after completion of delivery of goods to other customers with good repayment history. The Group does not obtain collateral from customers.

**4. SEGMENT INFORMATION**

Information reported to the chief executive officer of the Company (also general manager of the Group), being the chief operating decision maker, for the purposes of resource allocation and assessment of performance focuses on revenue from the sales of optical fibre cables, optical distribution network devices and prepainted steel sheet.

During the period ended 30 June 2025, the Group continues to focus on its principal activities in the segment of manufacturing and sales of optical fibre cables and related devices in PRC as well as segment of processing and sales of prepainted steel sheets. The Directors consider that the consolidation of both segments as one reportable and operating segment shall better reflect the Group’s updated business strategies and the development phases of various businesses. As such, no segment information is presented other than the entity-wide disclosures.

**Geographical information**

The Group’s operation is principally in the PRC and all its non-current assets (other than financial assets at FVTPL and deferred tax assets) are situated in the PRC.

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

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Bank interest income	1,551	3,557
Foreign exchange (losses)/gains, net	(35)	801
Sales of electricity and gain on sales of other materials	2,759	607
Government grants recognised	2,187	4,714
(Loss)/gain on disposal of property, plant and equipment	(191)	15
Others	836	(220)
	<u>7,107</u>	<u>9,474</u>
Other income, gains, expenses and losses, net	<u>7,107</u>	<u>9,474</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Interest on borrowings	4,253	3,706
Interest on lease liabilities	–	1
	<u>4,253</u>	<u>3,707</u>
Less: amounts capitalised as construction in progress	–	(1,550)
Finance costs	<u>4,253</u>	<u>2,157</u>

The capitalisation rate used to determine capitalised amounts of interests incurred for the six months ended 30 June 2025 was approximately 1.85%.

## 7. INCOME TAX (CREDIT)/EXPENSE

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
PRC Enterprise Income Tax (“EIT”)		
– Current tax	627	1,769
– Deferred tax	(941)	499
Income tax (credit)/expense	<u>(314)</u>	<u>2,268</u>

No provision for income taxes of the Company and its certain subsidiaries was made as they did not earn assessable income during the Reporting Period (six months ended 30 June 2024: nil).

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, Jiangsu Nanfang Communication Technology Company Limited (“Nanfang Communication”) and Jiangsu Yingke Communication Technology Company Limited (“Yingke”), subsidiaries of the Company, are continuously recognised as “High and New Technology Enterprise” for a three-year-period starting in 2022. Accordingly, Nanfang Communication and Yingke are entitled to a reduced EIT rate of 15% for the Reporting Period (six months ended 30 June 2024: 15%).

## 8. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2025	2024
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Unaudited)
Cost of inventories recognised as cost of sales	<u>151,207</u>	<u>222,146</u>
Profit before income tax has been arrived at after charging:		
Depreciation of property, plant and equipment	2,884	3,648
Less: Depreciation capitalised in inventories	<u>(1,887)</u>	<u>(3,228)</u>
Depreciation recognised as cost of sales	<u>997</u>	<u>420</u>
Depreciation of right-of-use assets	474	604
Staff costs (including the directors’ remuneration):		
– Salaries, wages and allowances	13,879	13,889
– Retirement benefit scheme contributions	<u>1,545</u>	<u>1,722</u>
Total staff costs	<u>15,424</u>	<u>15,611</u>



## 9. EARNINGS PER SHARE

	Six months ended 30 June	
	2025	2024
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
<b>Earnings</b>		
Earnings for the purpose of basic earnings per share (Profit for the Reporting Period attributable to owners of the Company)	<u>26,136</u>	<u>5,519</u>

	Six months ended 30 June	
	2025	2024
	'000	'000
	(Unaudited)	(Unaudited)
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purpose of basic earnings per share	<u>1,626,240</u>	<u>1,626,240</u>

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

## 10. DIVIDEND

The Directors do not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: nil).

## 11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2025 RMB'000 (Unaudited)	As at 31 December 2024 RMB'000 (Audited)
Trade receivables	356,756	441,339
Less: Allowance of credit losses	<u>(9,423)</u>	<u>(9,423)</u>
Trade receivables, net	347,333	431,916
Bills receivable (Note)	<u>2,154</u>	<u>4,305</u>
Trade and bills receivables	<u>349,487</u>	<u>436,221</u>

*Note:* At the end of the Reporting Period, the Group's bills receivable was issued by banks and customers with maturity within six months.

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

	As at <b>30 June</b> <b>2025</b> <i><b>RMB'000</b></i> <b>(Unaudited)</b>	As at 31 December 2024 <i><b>RMB'000</b></i> <b>(Audited)</b>
Less than 6 months	<b>313,516</b>	411,022
More than 6 months, but less than 1 year	<b>21,902</b>	9,197
More than 1 year	<u><b>11,915</b></u>	<u>11,697</u>
Trade receivables, net	<u><b>347,333</b></u>	<u>431,916</u>

As at 30 June 2025, included in trade receivables, there is an amount due from an associate of approximately RMB266,000 (31 December 2024: approximately RMB176,000). The amount due from the associate is unsecured, interest-free and receivable according to the relevant sales agreement.

According to the relevant sales agreements entered into between the Group and the Major PRC Telecommunications Network Operators, 70% – 90% of invoiced amounts is receivable upon issue of invoices. The Group allows credit period within six months to the Major PRC Telecommunication Network Operators for the receipt of the remaining balances. In addition, the Group granted credit periods of not more than one year after completion of delivery of goods to other customers with good repayment history. The Group does not obtain collateral from customers.

## 12. RESTRICTED BANK DEPOSITS AND BALANCES

As at 31 December 2024 and 30 June 2025, the Group's restricted bank deposits and balances were pledged to banks for issuing bills payable.

## 13. TRADE AND BILLS PAYABLES

	As at <b>30 June</b> <b>2025</b> <i><b>RMB'000</b></i> <b>(Unaudited)</b>	As at 31 December 2024 <i><b>RMB'000</b></i> <b>(Audited)</b>
Trade payables	<b>104,805</b>	156,438
Bills payable	<u><b>132,244</b></u>	<u>121,892</u>
Trade and bills payables	<u><b>237,049</b></u>	<u>278,330</u>

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

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

	As at <b>30 June 2025</b> <i><b>RMB'000</b></i> <b>(Unaudited)</b>	As at 31 December 2024 <i>RMB'000</i> (Audited)
Less than 6 months	<b>98,459</b>	145,225
More than 6 months, but less than 1 year	<b>1,069</b>	3,562
More than 1 year	<b>5,277</b>	7,651
	<hr/>	<hr/>
Trade payables	<b>104,805</b>	156,438
	<hr/>	<hr/>

As at 30 June 2025, included in trade payables, there is an amount due to an associate of approximately RMB33,427,000 (31 December 2024: approximately RMB30,277,000). The amount due to the associate is unsecured, interest-free and payable according to the relevant purchase agreement.

As at 31 December 2024 and 30 June 2025, the Group's bills payable were issued by banks with maturity within six months and were secured by the Group's restricted bank deposits and balances.

#### 14. BANK BORROWINGS

All bank borrowings are denominated in functional currency of the group entities. As at 30 June 2025, the Group had interest-bearing bank borrowings amounting to approximately RMB259.0 million (31 December 2024: approximately RMB360.3 million).

As at 30 June 2025, the Group's bank borrowings of approximately RMB259.0 million (31 December 2024: approximately RMB230.2 million) carry interest with variable interest rates ranging from 2.20% to 3.30% (31 December 2024: ranging from 2.15% to 3.65%) per annum.

As at 30 June 2025, the Group has no bank borrowings carrying interest with fixed interest rates per annum (31 December 2024: approximately RMB130.1 million carrying interest with fixed interest rates ranging from 2.65% to 3.00%).

The Group's banking borrowings of approximately RMB259.0 million are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the related loans would become payable on demand. The Group did not identify any difficulties in complying with the covenants. At 30 June 2025, none of the covenants relating to drawn down facilities had been breached (31 December 2024: nil).

## 15. SHARE CAPITAL

	As at 30 June 2025 <i>HK\$'000</i> (Unaudited)	As at 31 December 2024 <i>HK\$'000</i> (Audited)
<b>Authorised</b>		
8,000,000,000 ordinary shares of HK\$0.001 each	<u>8,000</u>	<u>8,000</u>
	<i>HK\$'000</i> (Unaudited)	<i>HK\$'000</i> (Audited)
<b>Issued and fully paid</b>		
1,626,240,000 (as at 31 December 2024: 1,626,240,000) ordinary shares of HK\$0.001 each	<u>1,626</u>	<u>1,626</u>
	<i>RMB'000</i> (Unaudited)	<i>RMB'000</i> (Audited)
<b>Presented in the condensed consolidated statement of financial position</b>	<u>1,418</u>	<u>1,418</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW**

As a leading telecommunication manufacturer in the PRC, the Group recorded revenue of approximately RMB185.5 million for the Reporting Period (six months ended 30 June 2024: approximately RMB256.8 million), representing a decrease of approximately 27.7% as compared to the same period in 2024. The gross profit of the Group was approximately RMB34.3 million (six months ended 30 June 2024: approximately RMB34.6 million), representing a decrease of approximately 0.8% as compared to the same period in 2024. The Company recorded the profit and total comprehensive income of approximately RMB26.1 million (six months ended 30 June 2024: approximately RMB5.5 million). During the Reporting Period, the basic earnings per share was approximately RMB0.016 (six months ended 30 June 2024: approximately RMB0.003).

### **FINANCIAL REVIEW**

#### ***Revenue***

Revenue of the Group represents revenue derived from manufacturing and sales of optical fibre cables and optical distribution network devices as well as processing and sales of prepainted steel sheet. During the Reporting Period, the Group recorded a total revenue of approximately RMB185.5 million, representing a decrease of approximately 27.7% from approximately RMB256.8 million for the six months ended 30 June 2024.

For the Reporting Period, 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 the Reporting Period, cost of sales of the Group was approximately RMB151.2 million (six months ended 30 June 2024: approximately RMB222.1 million), representing a decrease of approximately 31.9% as compared to the same period in 2024.

### ***Gross profit and gross profit margin***

For the Reporting Period, the Group's gross profit was approximately RMB34.3 million (six months ended 30 June 2024: approximately RMB34.6 million), representing a decrease of approximately 0.8% as compared to the same period in 2024. During the Reporting Period, the Group's gross profit margin was approximately 18.5% as compared to a gross profit margin of approximately 13.5% for the six months ended 30 June 2024. The decrease in the proportion of raw materials costs led to a decrease in the cost of sales and therefore boosted the Group's gross profit margin during the Reporting Period.

### ***Other income, gains, expenses and losses, net***

The net other income of approximately RMB9.5 million for the six months ended 30 June 2024 has been decreased to approximately RMB7.1 million for the Reporting Period. The decrease was mainly attributable to the decrease in the bank interest income received and government grants recognised during the Reporting Period.

### ***Selling and distribution expenses***

For the Reporting Period, the Group's selling and distribution expenses were approximately RMB7.9 million (six months ended 30 June 2024: approximately RMB11.1 million), representing a decrease of approximately 28.1% as compared to the same period in 2024. The decrease was mainly due to the drop in the total freight charges.

### ***Administrative expenses***

For the Reporting Period, the Group's administrative expenses were approximately RMB15.0 million (six months ended 30 June 2024: approximately RMB17.5 million), representing a decrease of approximately 13.9% as compared to the same period in 2024. The decrease was consistent with the Group's overall operations and a more stringent control on some business and marketing expenses during the Reporting Period.

### ***Research costs***

The Group's research costs were approximately RMB13.7 million for the Reporting Period (six months ended 30 June 2024: approximately RMB13.4 million), representing a slight increase of approximately 1.9% as compared to the same period in 2024.

### ***Finance costs***

During the Reporting Period, the Group's finance costs were approximately RMB4.3 million (six months ended 30 June 2024: approximately RMB2.2 million), representing an increase of approximately 97.2% as compared to the same period in 2024. The increase in finance costs was mainly due to an increase in the average bank loan and full recognition of all interest expenses during the Reporting Period while partial interests were capitalised in the construction in progress for the six months ended 30 June 2024.

### ***Share of profit of an associate***

During the Reporting Period, the Group recorded a share of profit of an associate of approximately RMB5.7 million, representing an increase of approximately 9.5% from approximately RMB5.2 million for the six months ended 30 June 2024. The associate is mainly engaged in the manufacturing and sales of optical fibre.

### ***Share of profit of a joint venture***

During the Reporting Period, the Group recorded a share of profit of a joint venture of approximately RMB1.4 million, representing a decrease of approximately 16.6% from approximately RMB1.7 million for the six months ended 30 June 2024. The joint venture is engaged in the manufacturing and sales of optical fibre preforms.

### ***Income tax credit/expense***

During the Reporting Period, the Group recorded income tax credit of approximately RMB0.3 million (six months ended 30 June 2024: income tax expense of approximately RMB2.3 million), mainly represented by the recognition of deferred tax assets by the Group.

### ***Profit and total comprehensive income attributable to owners of the Company***

As a result of the foregoing, the Group recorded the profit and total comprehensive income of approximately RMB26.1 million (six months ended 30 June 2024: approximately RMB5.5 million).

## **LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES**

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

### ***Cash and loan position***

As at 30 June 2025, the Group had an aggregate of restricted bank deposits and balances, bank deposits with original maturity of more than three months, bank deposits, bank balances and cash of approximately RMB358.5 million (31 December 2024: approximately RMB405.2 million), representing a decrease of approximately 11.5% as compared to that as at 31 December 2024.

All bank borrowings are denominated in functional currency of the group entities. As at 30 June 2025, the Group had interest-bearing bank borrowings amounting to approximately RMB259.0 million (31 December 2024: approximately RMB360.3 million).

As at 30 June 2025, the Group's bank borrowings of approximately RMB259.0 million (31 December 2024: approximately RMB230.2 million) carry interest with variable interest rates ranging from 2.20% to 3.30% (31 December 2024: ranging from 2.15% to 3.65%) per annum.

As at 30 June 2025, the Group has no bank borrowings carrying interest with fixed interest rates per annum (31 December 2024: approximately RMB130.1 million carrying interest with fixed interest rates ranging from 2.65% to 3.00%).

The Group's banking borrowings of approximately RMB259.0 million are subject to the fulfilment of covenants. Some of those relating to the Group's financial metrics which are tested periodically, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants, the related loans would become payable on demand. The Group did not identify any difficulties in complying with the covenants. At 30 June 2025, none of the covenants relating to drawn down facilities had been breached (31 December 2024: nil).

### ***Charges on the Group's assets***

As at 30 June 2025, the Group pledged certain of its bank deposits with original maturity more than three months and restricted bank deposits totalling approximately RMB81.1 million (31 December 2024: approximately RMB173.6 million) to secure bills payable.

### ***Gearing ratio***

As at 30 June 2025, the gearing ratio of the Group, which was calculated by dividing the total liabilities by the total equity, was approximately 65.4% (31 December 2024: approximately 84.5%).



### ***Currency risk***

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

### ***Interest rate risk***

The Group's fair value interest rate risk relates primarily to its fixed rate bank deposits and fixed rate bank borrowings. The Group is also exposed to cash flow interest rate risk through the impact of rate changes on variable interest bearing financial instruments, mainly, restricted bank balances, bank balances and variable rate bank borrowings which carried at prevailing market interest rates. The Group currently does not use any derivative contracts to hedge its exposure to interest rate risk.

### ***Credit risk***

As at 30 June 2025, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amounts of the respective recognised financial assets as stated in the condensed consolidated statement of financial position.

The Group's credit risk is primarily attributable to trade and bills receivables arising from contracts with customers and other receivables. In order to minimise the credit risk, the Directors have delegated a team of staff responsible for determining credit limits and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In this regard, the Directors consider that the Group's credit risk is significantly reduced. Besides, the management of the Group performs impairment assessment on individual debtor basis to estimate the amount of expected credit loss ("ECL") of trade, bills and other receivables based on internal credit ratings, ageing, collateral, repayment history and/or past due status of respective other receivables and adjusted for forward-looking information.

For bank deposits and balances, the management of the Group assessed that the Group's bank deposits with original maturity more than three months, restricted bank deposits and balances, bank deposits and bank balances are at low credit risk because they are placed with reputable banks with higher internal credit ratings with reference to either international or PRC credit-rating agencies, and ECL is insignificant.

As at 30 June 2025, the Group has concentration of credit risk because approximately 89.3% (31 December 2024: approximately 85.8%) of trade receivables were due from the Major PRC Telecommunications Network Operators with good repayment history and strong financial background.

Other than the above, the Group does not have significant concentration of credit risk.

### ***Liquidity risk***

The Group's management monitors the Group's cash flow position on a regular basis to ensure the cash flows of the Group are closely controlled. The Group aims to maintain flexibility in funding by keeping committed credit lines available and issue of new ordinary shares.

### ***Capital commitments***

As at 30 June 2025, the Group had capital commitments of capital expenditure contracted but not provided in respect of acquisition of property, plant and equipment amounting to approximately RMB16.6 million (31 December 2024: approximately RMB20.1 million).

### ***Employees and remuneration policies***

As at 30 June 2025, the Group had approximately 310 employees (six months ended 30 June 2024: approximately 320). During the Reporting Period, the Group incurred staff costs of approximately RMB15.4 million (six months ended 30 June 2024: approximately RMB15.6 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 prevailing market employment practices and legislation.

## **OUTLOOK**

According to the latest data from the National Bureau of Statistics, the PRC's cumulative optical fibre cables output reached 125 million fkm in the first half of 2025, representing a year-on-year decline of approximately 2.9%. The rate of decline has narrowed significantly compared to previous periods. This contraction is primarily attributed to the reduced investments by Chinese domestic telecommunications operators in 5G networks and fiber-to-the-home (FTTH) during the period, leading to order shortage and short-term demand pressure in the optical fibre and optical fibre cable industry. Additionally, market research firm CRU forecasts that the PRC's total optical cables demand for 2025 will continue to experience a slight decline of approximately 2.2% year-on-year, settling at around 233 million fkm. Despite the persistent decline, the industry's downturn has clearly entered a convergence phase compared to the 18.2% cumulative drop in optical fibre cables output in 2024, with signs of recovery significantly strengthening.

In terms of Chinese domestic telecommunications operators, China Mobile and China Unicom have completed their annual centralised optical fibre cables procurement, while China Telecom initiated the centralised procurement for outdoor optical cables and drop cables at the beginning of the second half of the year. Chinese operators are accelerating their backbone networks upgrades: China Mobile achieved the first large-scale commercial deployment of an 800G all-optical backbone transmission network, while China Telecom announced plans to complete nationwide coverage of its 800G high-speed all-optical network within the year, and for China Unicom, they are also actively conducting 800G experimental network verification. CRU noted that the global demand for optical fibre and optical fibre cable will maintain robust growth from 2025 to 2029.

Despite temporary demand fluctuations, the outlook for the optical fibre industry in the second half of 2025 remains positive and optimistic, with a continued growth expected. The optical fibre industry development benefits from the ongoing deployment of domestic communication networks including 5G-A networks and ten-gigabit optical networks, the rapid development of new-generation information technologies such as East-to-West Computing Resource Transfer, cloud computing and artificial intelligence, together with the exploration of new businesses. These technological advancements and applications enhance the transmission capacity of communication networks while continuously driving new demand growth and product upgrades for optical fibre and optical fibre cable. For instance, 5G-A networks construction and the ten-gigabit optical fibre upgrades are fueling sustained market demand growth, resulting in steady increases in total length of optical fibre cable. Furthermore, the development of the optical fibre and optical fibre cable industry in the PRC is propelled by data centres, whose expanding scale and quantity drive higher demand for optical fibre networks. By 2026, demand for optical fibre and optical fibre cable in the PRC's data centres is projected to reach 150 million fkm, opening new market opportunities. Accelerating global digital transformation, continuously growing demand for optical fibre networks, and the in-depth promotion of the national strategy for building the PRC into a cyber powerhouse all provide vigorous momentum for industry's growth. Additionally, the development of the optical fibre and optical fibre cable industry has received strong policy support through national industrial policies. Multiple policies encouraging industry development and innovation of the optical fibre and optical fibre cable industry has been introduced, such as the "15th Five-Year Plan for National Informatisation", the "15th Five-Year Plan for Promoting Agricultural and Rural Modernisation" and the "15th Five-Year Development Plan for Digital Economy", outlining a clear and broad market prospect for the development of the optical fibre and optical fibre cable industry.

Looking forward to the second half of 2025, the optical fibre and optical fibre cable industry is poised for a stronger growth cycle, driven by continuous large-scale deployment of domestic information infrastructure, traffic explosion fueled by new-generation information technologies such as AI and cloud computing, steady growth in overseas markets, and robust national strategic policies support. The Group will continue to deepen our partnership with operators, strength our core market presence by closely aligning with operators' construction plans for 5G, gigabit optical networks, 800G/1.6T backbone networks, and Data Centre Interconnects (DCI), ensuring maintained and expanded market shares in operators' centralised procurement tenders. We will vigorously expand into non-operator and overseas markets by increasing investments in non-operator segments such as data centres, industrial internet, and enterprise private networks. We will actively enhance our R&D focus by dedicating resources to highspeed transmission (e.g., ultra-low-loss large effective area optical fibre G.654.E, new type of optical fibre supporting 1.6T applications), high-density interconnect solutions for data centres, and green and low-carbon products to meet evolving market trends and customised customer needs, while constantly optimising our product portfolio and elevating technical barriers. Furthermore, we will intensify our monitoring and response capabilities for key raw materials costs and supply chains fluctuations, deepen lean production management, and improve operational efficiency to solidify the Group's competitive advantages and profitability, thereby delivering greater returns to shareholders.

## **INTERIM DIVIDEND**

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2025 (six months ended 30 June 2024: nil).

## **SUFFICIENCY OF PUBLIC FLOAT**

Based on the information that is publicly available to the Company and to the best of the knowledge of the Directors, the Company has maintained a sufficient public float during the Reporting Period and up to the date of this announcement.

## **CORPORATE GOVERNANCE PRACTICES AND OTHER INFORMATION**

The Company is committed to maintaining a high standard of corporate governance and believes that a good corporate governance can (i) enhance management effectiveness and efficiency; (ii) increase the management transparency of the Company; (iii) enhance risk management and internal control of the Company; and (iv) safeguard the interests of the shareholders of the Company and the Company as a whole.

The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix C1 to the Listing Rules as its own code of corporate governance practices. The Company has complied with the applicable code provisions as set out in the CG Code during the Reporting Period and up to the date of this announcement. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

As disclosed in announcements of the Company dated 20 February 2025 and 22 May 2025, following the passing away of Mr. Wu Wing Kuen, the number of independent non-executive Directors fell short of the minimum number required under Rule 3.10(1) of the Listing Rules during the Reporting Period.

Following the appointment of Ms. Ju Hefeng as an independent non-executive Director of the Company on 1 August 2025, the Board comprises three independent non-executive Directors, hence the Company has complied with the requirement under Rule 3.10(1) of the Listing Rules as at the date of this announcement.

## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. The Company, after making specific inquiries to all Directors, save for the late Mr. Wu Wing Kuen has not replied to the Company before his passing away, confirmed that all of them have complied with the required standards in the Model Code during the Reporting Period and up to the date of this announcement.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Chan Kai Wing, Mr. Liu Cheng Yi and Ms. Ju Hefeng. Mr. Chan Kai Wing is the chairman of the Audit Committee.

The Audit Committee has, together with the management of the Company, reviewed the Group’s unaudited condensed consolidated financial statements for the six months ended 30 June 2025.

## **PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY**

During the Reporting Period and up to the date of this announcement, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF THE SUBSIDIARIES AND ASSOCIATED COMPANIES**

During the Reporting Period and up to the date of this announcement, the Group had no material acquisition or disposal of its subsidiaries and associated companies.

## **DISPOSAL OF THE SALES SHARES OF THE TARGET COMPANY**

On 13 June 2025, 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) (the “**Purchaser**”) and Suzhou Dongshan Precision Manufacturing Co., Ltd. (蘇州東山精密製造股份有限公司) (the “**Dongshan Precision**”) (the “**Purchaser Group**”) as Purchaser Group entered into a sale and purchase agreement, pursuant to which Pacific Smart conditionally agreed to sell, and the Purchaser conditionally agreed to purchase, 8,235,293 class A preferred shares (representing approximately 4.00% shareholding) (the “**Sales Shares**”) of Source Photonics Holdings (Cayman) Limited (the “**Target Company**”) at the consideration of US\$25,181,055.41 (equivalent to approximately RMB180.8 million) (the “**Disposal**”).

The Disposal constituted a very substantial disposal of the Company under the Listing Rules and is subject to the approval of the shareholders of the Company at the extraordinary general meeting of the Company to be held on 15 September 2025.

For details of the Disposal, please refer to the Company's announcements dated 23 June 2025, 15 July 2025 and 5 August 2025, and the Company's circular dated 25 August 2025.

Save and except disclosed above, the Group has no material acquisition or disposal during the Reporting Period.

## **IMPORTANT EVENTS AFTER REPORTING PERIOD**

No important events affecting the Group has occurred since the end of the Reporting Period and up to the date of this announcement.

## **PUBLICATION OF THE INTERIM RESULTS AND INTERIM REPORT**

This announcement is published on the websites of each of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.jsnfgroup.com](http://www.jsnfgroup.com)). The interim report of the Company for the Reporting Period will be despatched to the Company's shareholders on or before 26 September 2025 and will be available on the websites of each of the Stock Exchange and the Company.

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

Hong Kong, 28 August 2025

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