



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

(Incorporated in Cayman Islands with Limited Liability)

**Stock Code: 1617**

**2024 INTERIM  
REPORT**



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# Corporate Information

## BOARD OF DIRECTORS

### Executive Directors

Mr. Shi Ming (Chief executive officer)

Ms. Yu Rumin

Ms. Yu Ruping

### Non-Executive Director

Mr. Yu Jinlai (Chairman)

### Independent Non-Executive Directors

Mr. Wu Wing Kuen

Mr. Chan Kai Wing

Mr. Liu Cheng Yi

## COMPANY SECRETARY

Ms. Lo Moon Fong

## AUTHORISED REPRESENTATIVES

Mr. Shi Ming

Ms. Lo Moon Fong

## 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

Wan Chai, Hong Kong

## PRINCIPAL PLACE OF BUSINESS IN THE PRC

1 Cencun Road, Luoyang Town

Wujin District, Changzhou City

Jiangsu Province, The People's Republic of China

## AUDITOR

BDO Limited

## PRINCIPAL BANKERS

Bank of China (Hong Kong) Limited

The Hongkong and Shanghai Banking Corporation Limited

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square, Hutchins Drive

P.O. Box 2681, Grand Cayman

KY1-1111, Cayman Islands

## SHARE REGISTRAR AND TRANSFER OFFICE IN HONG KONG

Tricor Investor Services Limited

17/F, Far East Finance Centre

16 Harcourt Road

Hong Kong

## WEBSITE

[www.jsnfgroup.com](http://www.jsnfgroup.com)

## STOCK CODE

1617

## Financial Highlights

For the six months ended 30 June 2024 (the “**Reporting Period**”), the Group’s operating results were as follows:

- Total revenue decreased by approximately 3.0% to approximately RMB256.8 million (six months ended 30 June 2023: approximately RMB264.7 million).
- Gross profit increased by approximately 30.4% to approximately RMB34.6 million (six months ended 30 June 2023: approximately RMB26.5 million).
- Gross profit margin increased from approximately 10.0% to approximately 13.5%.
- Profit and total comprehensive income was approximately RMB5.5 million (six months ended 30 June 2023: approximately RMB2.1 million).
- The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024.

# Management Discussion and Analysis

## BUSINESS REVIEW

As a leading telecommunication manufacturer in the People's Republic of China (the "PRC"), the Group recorded revenue of approximately RMB256.8 million for the Reporting Period (six months ended 30 June 2023: approximately RMB264.7 million), representing a decrease of approximately 3.0% as compared to the same period in 2023. The gross profit of the Group was approximately RMB34.6 million (six months ended 30 June 2023: approximately RMB26.5 million), representing an increase of approximately 30.4% as compared to the same period in 2023. The Company recorded the profit and total comprehensive income of approximately RMB5.5 million (six months ended 30 June 2023: approximately RMB2.1 million). During the Reporting Period, the basic earnings per share was approximately RMB0.003 (six months ended 30 June 2023: approximately RMB0.001).

## 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 RMB256.8 million, representing a decrease of approximately 3.0% from approximately RMB264.7 million for the six months ended 30 June 2023.

By product segment, revenue of approximately RMB245.8 million was contributed by the optical fibre cables and optical distribution network devices segment, representing an increase of approximately 7.5% as compared to the same period of 2023 of approximately RMB228.6 million. This accounted for approximately 95.7% (six month ended 30 June 2023: approximately 86.3%) of the Group's total revenue. The increase in revenue was due to the increase in the average unit selling price of the Group's products while the order quantity remained largely stable.

On the other hand, revenue of approximately RMB10.9 million was contributed by prepainted steel sheet segment, representing a decrease of approximately 69.7% as compared to the same period of 2023 of approximately RMB36.2 million. This accounted for approximately 4.3% (six months ended 30 June 2023: approximately 13.7%) of the Group's revenue.

### Cost of sales

For the Reporting Period, cost of sales of the Group was approximately RMB222.1 million (six months ended 30 June 2023: approximately RMB238.2 million), representing a decrease of approximately 6.7% as compared to the same period in 2023.

### Gross profit and gross profit margin

For the Reporting Period, the Group's gross profit was approximately RMB34.6 million (six months ended 30 June 2023: approximately RMB26.5 million), representing an increase of approximately 30.4% as compared to the same period in 2023. During the Reporting Period, the Group's gross profit margin was approximately 13.5% as compared to a gross profit margin of approximately 10.0% for the six months ended 30 June 2023. Owing to the cost of raw materials (including non-ferrous metals and some other chemical feedstocks) remaining fairly stable, and the increase in the average unit selling price of the Group's products, the Group's gross profit and gross profit margin were boosted in the Reporting Period.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

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

The net other income of approximately RMB13.6 million for the six months ended 30 June 2023 has been decreased to approximately RMB9.5 million for the Reporting Period. The decrease was mainly attributable to the decrease in the recognition of net foreign exchange gains during the Reporting Period, and the decrease in sale of electricity and the gain on the sales of other materials.

### *Selling and distribution expenses*

For the Reporting Period, the Group's selling and distribution expenses were approximately RMB11.1 million (six months ended 30 June 2023: approximately RMB8.4 million), representing an increase of approximately 32.4% as compared to the same period in 2023. The increase was mainly attributable to an increase in the freight unit costs and the development costs for an expansion to other markets.

### *Administrative expenses*

For the Reporting Period, the Group's administrative expenses were approximately RMB17.5 million (six months ended 30 June 2023: approximately RMB18.6 million), representing a decrease of approximately 5.9% as compared to the same period in 2023. The decline was consistent with the Group's overall operations.

### *Research costs*

The Group's research costs were approximately RMB13.4 million for the Reporting Period (six months ended 30 June 2023: approximately RMB20.0 million), representing a decrease of approximately 32.9% as compared to the same period in 2023. The decrease was mainly due to the completion of some product development projects during the Reporting Period.

### *Finance costs*

During the Reporting Period, the Group's finance costs were approximately RMB2.2 million (six months ended 30 June 2023: approximately RMB4.4 million), representing a decrease of approximately 50.5% as compared to the same period in 2023. This was mainly due to a drop in overall bank borrowing rate and the capitalisation of some interests into construction in progress during the Reporting Period. As a result, the finance costs decreased as compared to the same period in 2023.

### *Share of profit of an associate*

During the Reporting Period, the Group recorded a share of profit of an associate of approximately RMB5.2 million, representing a decrease of approximately 33.1% from approximately RMB7.7 million for the six months ended 30 June 2023. 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 RMB1.7 million, representing a decrease of approximately 38.0% from approximately RMB2.7 million for the six months ended 30 June 2023. The joint venture is engaged in the manufacturing and sales of optical fibre preforms.

# Management Discussion and Analysis

## FINANCIAL REVIEW (CONTINUED)

### *Income tax expense/credit*

During the Reporting Period, the Group recorded income tax expense of approximately RMB2.3 million (six months ended 30 June 2023: income tax credit of approximately RMB2.7 million), mainly represented by the recognition of PRC Enterprise Income Tax paid by the Group.

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

As a result of the reasons cited in this section, the Group recorded the profit and total comprehensive income of approximately RMB5.5 million (six months ended 30 June 2023: approximately RMB2.1 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 2024, 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 RMB397.5 million (31 December 2023: approximately RMB432.1 million), representing a decrease of approximately 8.0% as compared to that as at 31 December 2023.

All bank borrowings are denominated in functional currency of the group entities. As at 30 June 2024, the Group had interest-bearing bank borrowings amounting to approximately RMB280.0 million (31 December 2023: approximately RMB310.0 million).

As at 30 June 2024, the Group's bank borrowings of approximately RMB170 million (31 December 2023: approximately RMB100 million) carry interest with variable interest rates ranging from 2.50% to 4.00% (31 December 2023: ranging from 3.29% to 4.00%) per annum. All variable-rate bank borrowings are unsecured but guaranteed by group companies (31 December 2023: approximately RMB20 million).

As at 30 June 2024, the Group's bank borrowings of approximately RMB110 million (31 December 2023: approximately RMB210 million) carry interest with fixed interest rates ranging from 2.45% to 3.00% (31 December 2023: ranging from 3.05% to 3.24%) per annum. Fixed-rate bank borrowing of approximately RMB10 million is secured by bills receivables issued and guaranteed by group companies (31 December 2023: approximately RMB110 million was unsecured but guaranteed by group companies) while an amount of approximately RMB100 million was unsecured and unguaranteed (31 December 2023: approximately RMB100 million).

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

As at 30 June 2024, the Group pledged certain of its bank deposits with original maturity more than three months and restricted bank deposits totalling approximately RMB185.6 million (31 December 2023: approximately RMB173.8 million) to secure bills payable.

### *Gearing ratio*

As at 30 June 2024, the gearing ratio of the Group, which was calculated by dividing the total liabilities by the total equity, was approximately 85.1% (31 December 2023: approximately 82.5%).

# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (CONTINUED)

### *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, lease liabilities 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 2024, 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 2024, the Group has concentration of credit risk because approximately 89.0% (31 December 2023: approximately 89.3%) 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.



# Management Discussion and Analysis

## LIQUIDITY, FINANCIAL AND CAPITAL RESOURCES (CONTINUED)

### *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 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 RMB46.7 million (31 December 2023: approximately RMB67.4 million).

### *Employees and remuneration policies*

As at 30 June 2024, the Group had approximately 320 employees (six months ended 30 June 2023: approximately 320). During the Reporting Period, the Group incurred staff costs of approximately RMB15.6 million (six months ended 30 June 2023: approximately RMB16.6 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 data from the National Bureau of Statistics of China, the accumulative output of optical fibre cables in the PRC in the first half of 2024 amounted to 129 million fkm, representing a year-on-year decrease of 24.0%. The optical fibre and optical fibre cable industry in the PRC has faced a situation of insufficient orders and a low operating rate, and the main reason was that domestic communications operators reduced their investments in areas such as 5G networks and fiber-to-the-home (FTTH) in the first half of the year, which introduced a stress of shortage of orders to the optical fibre and optical fibre cable industry, resulting in the short-term demand under pressure. However, domestic operators are accelerating the upgrade of their backbone networks. China Mobile has achieved the first large-scale commercial deployment of a 400G all-optical backbone transmission network, while China Telecom has stated that it will complete a nationwide coverage of 400G high-speed all-optical network this year. China Unicom is also actively conducting 400G experimental network verifications. Meanwhile, overseas demand is growing steadily as well. According to market analysis institute CRU Group, global demand for optical fibre and optical fibre cable will maintain a steady growth trend from 2024 to 2028.

## Management Discussion and Analysis

### OUTLOOK (CONTINUED)

Despite the impact of temporary demand fluctuations, the outlook for the development of the optical fibre industry in the second half of 2024 is positive and optimistic, with expectations of continued growth. The development of the optical fibre industry has benefited from the continued deployment of domestic communication networks such as 5G networks and gigabit optical networks, as well as the rapid development of new-generation information technologies such as East-to-West Computing Resource Transfer, cloud computing and artificial intelligence, and the exploration of new businesses. These technological advancements and applications not only enhance the transmission capacity of communication networks, but also continuously drive new demand growth and product upgrades for optical fibre and optical fibre cable. For example, the construction of 5G networks and the upgrade of gigabit optical fibre have driven the continuous rise in market demand, and the total length of optical fibre cable lines has steadily increased. Furthermore, the development of the optical fibre and optical fibre cable industry in the PRC has also been driven by data centres. As the scale and number of data centres continue to expand, the demand for optical fibre networks is also increasing. It is expected that by 2025, the demand for optical fibre and optical fibre cable for data centres in China will reach 120 million fkm, which will bring new market space for the optical fibre and optical fibre cable industry. With the acceleration of the global digital transformation, the continuous growth in demand for optical fibre networks, as well as the in-depth promotion of the national strategy for building China into a cyberpower have given strong impetus to the development of the optical fibre and optical fibre cable industry. Additionally, the development of the optical fibre and optical fibre cable industry has received key support from national industrial policies. China has successively introduced multiple policies to encourage the development and innovation of the optical fibre and optical fibre cable industry, such as the 14th Five-Year Plan for National Informatisation, the 14th Five-Year Plan for Promoting Agricultural and Rural Modernisation and the 14th Five-Year Development Plan for Digital Economy, which provide 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 2024, the development of the optical fibre and optical fibre cable industry will continue to benefit from technological progress and support from national policies, and is expected to maintain its growth momentum, sustaining good market prospects and development opportunities. Taking into account the impact of the demand for optical fibre cables from telecommunications network operators and non-operators in the PRC market, as well as the subsequent normalisation of the inventory cycles of overseas operators, the demand for optical fibre cables is expected to gradually recover. While stabilising and striving to expand its market share in the optical fibre cable market of telecommunications network operators, the Group will also increase investment in the non-operator market, actively seek opportunities for product research and development that suit market development and new demands, continuously optimise the product structure, and further strengthen the ability to control raw material prices, thereby strengthening the cost control of the Company and improving the competitiveness and profitability of the Company.

## Other Information

### INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the six months ended 30 June 2024 (six months ended 30 June 2023: nil).

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2024, the interests and short positions of the Directors and 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 Securities and Futures Ordinance (the "SFO") which were 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 which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") were as follows:

#### Interests in the shares and underlying shares of the Company

Name of Director	Nature of interest	Number of shares or underlying shares held <sup>(1)</sup>	Approximate % of shareholding
Ms. Yu Rumin <sup>(2)</sup>	Founder of a discretionary trust <sup>(2)</sup>	840,000,000 (L)	51.65
	Interest of spouse <sup>(4)</sup>	56,184,000 (L)	3.46
	Beneficial owner	14,784,000 (L)	0.91
Mr. Yu Jinlai <sup>(3)</sup>	Beneficiary of a discretionary trust <sup>(3)</sup>	840,000,000 (L)	51.65
Ms. Yu Ruping <sup>(3)</sup>	Beneficiary of a discretionary trust <sup>(3)</sup>	840,000,000 (L)	51.65
	Beneficial owner	14,784,000 (L)	0.91
Mr. Shi Ming	Interests of spouse <sup>(4)</sup>	854,784,000 (L)	52.56
	Beneficial owner	56,184,000 (L)	3.46

Notes:

- <sup>(1)</sup> The letter "L" denotes the person's "long position" (as defined under Part XV of the SFO) in the relevant shares.
- <sup>(2)</sup> 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.
- <sup>(3)</sup> 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.
- <sup>(4)</sup> 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.

## Other Information

### DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES (CONTINUED)

Save as disclosed above, as at 30 June 2024, none of the Directors or chief executive of the Company and their respective associates had any interest or short position 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 had to be 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 he/she was taken or deemed to have under such provisions of the SFO) or which were recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSON'S INTEREST IN SHARES AND UNDERLYING SHARES

So far as is known to any Directors or chief executive of the Company, as at 30 June 2024, other than the interests and short positions of the Directors or chief executive of the Company as disclosed above, the following persons had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of 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:

#### Interests in the shares and underlying shares of the Company

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

Notes:

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

<sup>(2)</sup> 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.

<sup>(3)</sup> 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 30 June 2024, there was no other person (other than the Directors or chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of 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.

## Other Information

### SHARE OPTION SCHEME

Pursuant to written resolutions passed on 24 November 2016, the Company adopted a share option scheme (the “**Share Option Scheme**”). The Share Option Scheme is valid for a period of 10 years commencing on 24 November 2016. At the annual general meeting (the “**AGM**”) of the Company held on 29 June 2022, the scheme mandate limit of the Share Option Scheme has been refreshed which was fully utilized as at 31 December 2022. As such, no share option was available for grant under the Share Option Scheme during the Reporting Period. As at 30 June 2024, there are no outstanding share options to be exercised for Shares.

Please refer to 2023 Annual Report of the Company and the prospectus of the Company dated 30 November 2016 for a summary of the key terms of the Share Option Scheme.

### 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 report.

### 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 report. The Company will continue to review and enhance its corporate governance practices to ensure compliance with the CG Code.

### 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, 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 report.

### AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) consists of three independent non-executive Directors, namely Mr. Chan Kai Wing, Mr. Wu Wing Kuen and Mr. Liu Cheng Yi. 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 2024.

## Other Information

### CONTINGENT LIABILITIES AND LITIGATION

The Group did not have any contingent liabilities and litigation as at the date of this report.

### ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is dedicated to reducing its impacts on the environment from its factories and offices through mitigating the environmental pollutions and utilising resource efficiently. The Group strives to comply with relevant environmental laws and legislations, and continual improvement on its performance. For details, please refer to the Environmental, Social and Governance Report issued by the Company on 26 April 2024 (the “**ESG Report**”).

### KEY RELATIONSHIPS WITH ITS EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group strives to maintain a good relationship with its employees, customers and suppliers. For more details on how it creates a motivated workplace for its employees, produce quality products to satisfy its customers’ expectations and, establish long-term relationships with its suppliers, please refer to the ESG Report.

### COMPLIANCE WITH LAWS AND REGULATIONS

During the six months ended 30 June 2024, the Group was not aware of any non-compliance with any relevant laws and regulations that has a significant impact on it.

### SIGNIFICANT INVESTMENTS

As at 30 June 2024, the Group held the following significant investments:

1. 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 30 June 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 30 June 2024 as this is a private company. The investment is intended to be held for long term. During the Reporting Period, the Group (i) shared an associated profit of approximately RMB5.2 million; and (ii) did not receive any dividend in respect of its investment in Nanfang Optic.
2. 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 RMB38.3 million up to 30 June 2024. Yingke Optical Material is principally engaged in the manufacturing and sales of optical fibre preforms. No market fair value was available as at 30 June 2024 as this is a private company. The investment is intended to be held for long term. During the Reporting Period, the Group (i) shared a profit of approximately RMB1.7 million; and (ii) did not receive any dividend in respect of its investment in Yingke Optical Material.

\* For identification purpose only

## Other Information

### SIGNIFICANT INVESTMENTS (CONTINUED)

- Pacific Smart Development Limited ("**Pacific Smart**"), an indirect wholly-owned subsidiary of the Company, owned 8,235,293 class A preferred shares of Source Photonics Holdings (Cayman) Limited ("**Source Photonics Group**" or the "**Target Company**"), 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 RMB154,972,000 as at 30 June 2024, representing approximately 10.7% of the total assets of the Group. During the Reporting Period, 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 30 June 2024.

As disclosed in the section headed "Disposal of the Sale Shares of the Target Company", on 23 June 2024, a formal sales and purchase agreement ("**Formal Sales and Purchase Agreement**") was entered into for the disposal of 8,235,293 class A preferred shares of Source Photonics Group held by Pacific Smart. For details, please refer to the section headed "Disposal of the Sale Shares of the Target Company", the Company's announcement dated 4 December 2023 and 28 June 2024, and the Company's circular dated 23 August 2024.

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

### FUTURE PLANS FOR MATERIAL INVESTMENTS

The Group will continue to invest in its development projects and acquire suitable plant and machinery, if it thinks fit. These investments will be funded by internal resources, external equity financing and/or borrowings. Save as disclosed in this interim report, the Group did not have any future plans for material investments as at the date of this report.

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

During the Reporting Period and up to the date of this report, 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, ASSOCIATED COMPANIES AND JOINT VENTURES

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

## Other Information

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

On 23 June 2024, Pacific Smart (an indirect wholly-owned subsidiary of the Company) as vendor and Vantone Neo Development Group Co., Ltd. (the “**Purchaser**”) as purchaser entered into a Formal 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 as at the date of the Formal Sale and Purchase Agreement and approximately 3.48% shareholding on a fully-diluted basis) (the “**Sales Shares**”) of the Target Company at the consideration of US\$21,559,218 (equivalent to approximately RMB156.6 million) (the “**Disposal**”). The Formal Sale and Purchase Agreement superseded the framework agreement dated 26 November 2023 entered into between, among others, Pacific Smart, the Purchaser and the Target Company in respect of the Disposal.

The Disposal constitutes 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 9 September 2024.

For details of the Disposal, please refer to the Company’s announcements dated 4 December 2023 and 28 June 2024, and the Company’s circular dated 23 August 2024.

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 report.

### PUBLICATION OF THE INTERIM REPORT

This interim report is published on the websites of each of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.jsnfgroup.com](http://www.jsnfgroup.com)).

For and on behalf of the Board

**Nanfang Communication Holdings Limited**

**Yu Jinlai**

*Chairman*

Hong Kong, 29 August 2024



## Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 June 2024

	Notes	Six months ended 30 June	
		2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
<b>Revenue</b>	3, 4	<b>256,750</b>	264,725
Cost of sales		<b>(222,146)</b>	(238,188)
<b>Gross profit</b>		<b>34,604</b>	26,537
Other income, gains, expenses and losses, net	5	<b>9,474</b>	13,643
Impairment losses on trade and other receivables under expected credit loss model, net of reversal		<b>923</b>	–
Selling and distribution expenses		<b>(11,061)</b>	(8,353)
Administrative expenses		<b>(17,457)</b>	(18,552)
Research costs		<b>(13,419)</b>	(19,994)
Finance costs	6	<b>(2,157)</b>	(4,357)
Share of profit of an associate		<b>5,180</b>	7,739
Share of profit of a joint venture		<b>1,700</b>	2,741
<b>Profit/(loss) before income tax</b>	8	<b>7,787</b>	(596)
Income tax (expense)/credit	7	<b>(2,268)</b>	2,744
<b>Profit and total comprehensive income for the period</b>		<b>5,519</b>	2,148
<b>Earnings per share</b>	9	<b>RMB0.003</b>	RMB0.001

# Condensed Consolidated Statement of Financial Position

As at 30 June 2024

		As at <b>30 June 2024</b> <b>RMB'000</b> <b>(Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
	<i>Notes</i>		
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	<b>171,967</b>	150,488
Right-of-use assets		<b>46,776</b>	47,380
Interest in an associate		<b>102,354</b>	97,145
Interest in a joint venture		<b>49,456</b>	47,756
Financial assets at fair value through profit or loss ("FVTPL")	17	<b>154,972</b>	154,121
Restricted bank deposits and balances	13	<b>1,472</b>	108,122
Bank deposits with original maturity more than three months		-	10,500
Deferred tax assets		<b>30,740</b>	31,013
		<b>557,737</b>	646,525
<b>CURRENT ASSETS</b>			
Inventories		<b>38,941</b>	32,882
Trade and bills receivables	12	<b>413,070</b>	342,535
Prepayments, deposits and other receivables		<b>44,819</b>	84,513
Restricted bank deposits and balances	13	<b>184,146</b>	65,672
Bank deposits, bank balances and cash		<b>211,912</b>	247,767
		<b>892,888</b>	773,369
<b>CURRENT LIABILITIES</b>			
Trade and bills payables	14	<b>329,963</b>	259,318
Other payables		<b>20,640</b>	34,014
Contract liabilities		<b>1,652</b>	3,619
Lease liabilities		<b>30</b>	212
Bank borrowings	15	<b>200,000</b>	230,000
Tax payables		<b>11,059</b>	10,880
		<b>563,344</b>	538,043
<b>NET CURRENT ASSETS</b>		<b>329,544</b>	235,326
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<b>887,281</b>	881,851

# Condensed Consolidated Statement of Financial Position

As at 30 June 2024

		<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
	<i>Notes</i>		
<b>CAPITAL AND RESERVES</b>			
Share capital	16	<b>1,418</b>	1,418
Reserves		<b>782,149</b>	776,630
		<hr/>	<hr/>
Equity attributable to owners of the Company		<b>783,567</b>	778,048
		<hr/>	<hr/>
<b>NON-CURRENT LIABILITIES</b>			
Bank borrowings	15	<b>80,000</b>	80,000
Deferred tax liabilities		<b>9,296</b>	9,070
Deferred income-government grants		<b>14,418</b>	14,733
		<hr/>	<hr/>
		<b>103,714</b>	103,803
		<hr/>	<hr/>
		<b>887,281</b>	881,851
		<hr/>	<hr/>

## Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2024

	Attributable to owners of the Company					Total RMB'000
	Share capital RMB'000	Share premium RMB'000	Other reserve RMB'000 <i>(Note (b))</i>	Surplus reserve RMB'000 <i>(Note (a))</i>	Retained profits RMB'000	
<b>For the six months ended 30 June 2024 (Unaudited)</b>						
As at 1 January 2024 (Audited)	1,418	298,677	113,295	70,441	294,217	778,048
Profit and total comprehensive income for the period	-	-	-	-	5,519	5,519
Appropriation for the period	-	-	-	561	(561)	-
As at 30 June 2024 (Unaudited)	<u>1,418</u>	<u>298,677</u>	<u>113,295</u>	<u>71,002</u>	<u>299,175</u>	<u>783,567</u>
<b>For the six months ended 30 June 2023 (Unaudited)</b>						
As at 1 January 2023 (Audited)	1,418	298,677	113,295	69,412	290,048	772,850
Profit and total comprehensive income for the period	-	-	-	-	2,148	2,148
As at 30 June 2023 (Unaudited)	<u>1,418</u>	<u>298,677</u>	<u>113,295</u>	<u>69,412</u>	<u>292,196</u>	<u>774,998</u>

Notes:

- (a) As stipulated by the relevant laws and regulations, the Company's subsidiaries in the PRC are required to maintain a statutory surplus reserve which is non-distributable. Appropriations to such reserve is made out of net profit after tax of the financial statements of each subsidiary while the amounts and allocation basis are decided by their boards of directors annually, until the reserve balance reaches 50% of their registered capital. The statutory surplus reserve can be utilised, upon approval of the relevant authorities, to offset accumulated losses or to increase registered capital of these subsidiaries, provided that such fund is maintained at a minimum of 25% of their registered capital.
- (b) Pursuant to deeds dated 29 September 2016, shareholders of the Company's ultimate holding company agreed to waive and release all repayment obligations in respect of the amounts of United States Dollars ("US\$") 500,000 and Hong Kong Dollars ("HK\$") 128,200,000 (equivalent to RMB113,295,000 in aggregate) advanced by them to Century Planet Limited, the Company's direct wholly-owned subsidiary, for paying up the registered capital of its indirect wholly-owned subsidiary, MacroSmart Investment Limited.

# Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2024

	<b>Six months ended 30 June</b>	
	<b>2024</b>	2023
	<b>RMB'000</b>	RMB'000
	<b>(Unaudited)</b>	(Unaudited)
<b>NET CASH GENERATED FROM/(USED IN) OPERATING ACTIVITIES</b>	<b>19,787</b>	(23,055)
<b>INVESTING ACTIVITIES</b>		
Purchases of property, plant and equipment and right-of-use assets	<b>(23,577)</b>	(49,683)
Proceeds from disposal of property, plant and equipment	<b>15</b>	–
Dividend received from a joint venture	–	14,700
Withdrawal of restricted bank deposits and balances, net	<b>266</b>	29,273
Interests received	<b>1,427</b>	2,890
Government grants received	<b>116</b>	402
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(21,753)</b>	(2,418)
<b>FINANCING ACTIVITIES</b>		
Proceeds from bank borrowings	<b>180,000</b>	306,437
Repayments of bank borrowings	<b>(210,000)</b>	(228,020)
Payment of interest expense on bank borrowings	<b>(3,706)</b>	(2,371)
Payment of lease liabilities	<b>(183)</b>	(183)
<b>NET CASH (USED IN)/GENERATED FROM FINANCING ACTIVITIES</b>	<b>(33,889)</b>	75,863
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(35,855)</b>	50,390
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>247,767</b>	254,219
Effect of exchange rate changes on the balance of cash held in foreign currencies	–	1,395
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>211,912</b>	306,004
Represented by:		
Bank deposits, bank balances and cash	<b>211,912</b>	278,782
Bank deposits with original maturity more than three months	–	27,222
	<b>211,912</b>	306,004

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

## 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 2024 are the same as those presented in the Group’s annual consolidated financial statements for the year ended 31 December 2023.

### 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 2024 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 16	Lease Liability in a Sale and Leaseback
Amendments to IAS 1	Classification of Liabilities as Current or Non-current
Amendments to IAS 1	Non-current Liabilities with Covenants
Amendments to IAS 7	Supplier Finance Arrangements

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.

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

## 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 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.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

### 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.

As the Group is principally engaged in the manufacturing and sales of optical fibre cables and optical distribution network device and is also engaged in processing and sales of prepainted steel sheet, the chief operating decision maker assesses performance of the business based on a measure of operating results and considers the business from the product perspective. Information reported to the chief operating decision maker for the purposes of resources allocation and performance assessment focuses on the operation results of the Group as a whole as the Group's resources are integrated. Accordingly, the Group has identified two operating segments as follows:

- Manufacturing and sales of optical fibre cables and optical distribution network devices
- Processing and sales of prepainted steel sheet

The Group's reportable segments are managed separately as each business offers different products and services and requires different business strategies. The chief operating decision maker assesses the performance of the operating segments mainly based on segment revenue and gross profit of each operating segment. Selling and distribution expenses, administrative expenses and research costs are not included in the measure of the segments' performance which is used by chief operating decision maker as a basis for the purpose of resource allocation and assessment of segment performance. Impairment losses on trade and other receivables under expected credit loss model, net of reversal, share of profit of an associate, share of profit of a joint venture, other income, gains, expenses and losses, net, finance costs and income tax (expense)/credit are also not allocated to individual operating segments. The following summary describes the operations in each of the Group's reportable segments:

	Manufacturing and sales of optical fibre cables and optical distribution network devices		Processing and sales of prepainted steel sheet		Group	
	Six months ended 30 June		Six months ended 30 June		Six months ended 30 June	
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Segment revenue	<u>245,801</u>	<u>228,570</u>	<u>10,949</u>	<u>36,155</u>	<u>256,750</u>	<u>264,725</u>
Gross profit	<u>34,530</u>	<u>25,220</u>	<u>74</u>	<u>1,317</u>	<u>34,604</u>	<u>26,537</u>

### 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.



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

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

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Bank interest income	3,557	2,890
Foreign exchange gains, net	801	5,804
Sales of electricity and gain on sales of other materials	607	4,250
Government grants recognized	4,714	635
Gain on disposal of property, plant and equipment	15	–
Others	(220)	64
	<u>9,474</u>	<u>13,643</u>
Other income, gains, expenses and losses, net		

## 6. FINANCE COSTS

	Six months ended 30 June	
	2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Interest on borrowings	3,706	4,350
Interest on lease liabilities	1	7
	<u>3,707</u>	<u>4,357</u>
Less: amounts capitalised as construction in progress	(1,550)	–
Finance costs	<u>2,157</u>	<u>4,357</u>

The capitalisation rate used to determine capitalised amounts of interests incurred for the six months ended 30 June 2024 was approximately 1.85%.

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

### 7. INCOME TAX EXPENSE/CREDIT

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
PRC Enterprise Income Tax ("EIT")		
– Current tax	1,769	4
– Deferred tax	499	(2,748)
	<u>2,268</u>	<u>(2,744)</u>
Income tax expense/(credit)	<u>2,268</u>	<u>(2,744)</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 2023: 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 2023: 15%).

### 8. PROFIT/LOSS BEFORE INCOME TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Cost of inventories recognised as cost of sales	<u>222,146</u>	<u>238,188</u>
Profit/(loss) before income tax has been arrived at after charging:		
– Depreciation of property, plant and equipment	3,648	5,473
– Less: Depreciation capitalised in inventories	(3,228)	(4,199)
	<u>420</u>	<u>1,274</u>
Depreciation recognised as cost of sales	<u>420</u>	<u>1,274</u>
Depreciation of right-of-use assets	604	690
Staff costs (including the directors' remuneration):		
– Salaries, wages and allowances	13,889	14,136
– Retirement benefit scheme contributions	1,722	2,483
	<u>15,611</u>	<u>16,619</u>
Total staff costs	<u>15,611</u>	<u>16,619</u>

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

## 9. EARNINGS PER SHARE

### Six months ended 30 June

2024	2023
RMB'000	RMB'000
(Unaudited)	(Unaudited)

#### Earnings

Earnings for the purpose of basic earnings per share

(Profit for the Reporting Period attributable to owners of the Company)

<b>5,519</b>	2,148
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### Six months ended 30 June

2024	2023
'000	'000
(Unaudited)	(Unaudited)

#### Number of shares

Weighted average number of ordinary shares for the purpose of basic earnings per share

<b>1,626,240</b>	1,626,240
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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 2024 (six months ended 30 June 2023: nil).

## 11. PROPERTY, PLANT AND EQUIPMENT

During the Reporting Period, the Group acquired property, plant and equipment of approximately RMB23.6 million (six months ended 30 June 2023: approximately RMB28.1 million).

## Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

### 12. TRADE AND BILLS RECEIVABLES

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Trade receivables	<b>416,639</b>	348,616
Less: Allowance of credit losses	<b>(8,830)</b>	(8,996)
Trade receivables, net	<b>407,809</b>	339,620
Bills receivable (Note)	<b>5,261</b>	2,915
Trade and bills receivables	<b>413,070</b>	342,535

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:

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Less than 6 months	<b>381,138</b>	305,040
More than 6 months, but less than 1 year	<b>18,995</b>	27,528
More than 1 year	<b>7,676</b>	7,052
Trade receivables, net	<b>407,809</b>	339,620

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

## 12. TRADE AND BILLS RECEIVABLES (CONTINUED)

As at 30 June 2024, included in trade receivables are amount due from an associate of approximately RMB176,000 (31 December 2023: 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.

## 13. RESTRICTED BANK DEPOSITS AND BALANCES

As at 31 December 2023 and 30 June 2024, the Group's restricted bank deposits and balances were pledged to banks for issuing bills payable.

## 14. TRADE AND BILLS PAYABLES

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Trade payables	<b>162,149</b>	132,413
Bills payable	<b>167,814</b>	126,905
Trade and bills payables	<b>329,963</b>	259,318

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

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

## 14. TRADE AND BILLS PAYABLES (CONTINUED)

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

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Less than 6 months	<b>153,872</b>	124,367
More than 6 months, but less than 1 year	<b>2,478</b>	742
More than 1 year	<b>5,799</b>	7,304
	<b>162,149</b>	132,413
Trade payables	<b>162,149</b>	132,413

As at 30 June 2024, included in trade payables are amount due to an associate of approximately RMB67,682,000 (31 December 2023: approximately RMB44,391,000). The amount due to the associate is unsecured, interest-free and payable according to the relevant purchase agreement.

As at 31 December 2023 and 30 June 2024, 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.

## 15. BANK BORROWINGS

All bank borrowings are denominated in functional currency of the group entities. As at 30 June 2024, the Group had interest-bearing bank borrowings amounting to approximately RMB280.0 million (31 December 2023: approximately RMB310.0 million).

As at 30 June 2024, the Group's bank borrowings of approximately RMB170 million (31 December 2023: approximately RMB100 million) carry interest with variable interest rates ranging from 2.50% to 4.00% (31 December 2023: ranging from 3.29% to 4.00%) per annum. All variable-rate bank borrowings are unsecured but guaranteed by group companies (31 December 2023: approximately RMB20 million).

As at 30 June 2024, the Group's bank borrowings of approximately RMB110 million (31 December 2023: approximately RMB210 million) carry interest with fixed interest rates ranging from 2.45% to 3.00% (31 December 2023: ranging from 3.05% to 3.24%) per annum. Fixed-rate bank borrowing of approximately RMB10 million is secured by bills receivables issued and guaranteed by group companies (31 December 2023: approximately RMB110 million was unsecured but guaranteed by group companies) while an amount of approximately RMB100 million was unsecured and unguaranteed (31 December 2023: approximately RMB100 million).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

## 16. SHARE CAPITAL

	<b>As at 30 June 2024 HK\$'000 (Unaudited)</b>	As at 31 December 2023 HK\$'000 (Audited)
<b>Authorised</b>		
8,000,000,000 ordinary shares of HK\$0.001 each	<b>8,000</b>	8,000
	<b>HK\$'000 (Unaudited)</b>	HK\$'000 (Audited)
<b>Issued and fully paid</b>		
1,626,240,000 (as at 31 December 2023: 1,626,240,000) ordinary shares of HK\$0.001 each	<b>1,626</b>	1,626
	<b>RMB'000 (Unaudited)</b>	RMB'000 (Audited)
<b>Presented in the condensed consolidated statement of financial position</b>	<b>1,418</b>	1,418

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

### Fair value of the Group's financial instruments that are measured at fair value on a recurring basis

Some of the Group's financial instruments are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation techniques and input used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset that are not based on observable market data (unobservable inputs).

# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

## 17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (CONTINUED)

### Fair value measurement

	As at 30 June 2024 (Unaudited)		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Financial asset at FVTPL</b>			
Unlisted equity investment	–	–	<b>154,972</b>
	<hr/>	<hr/>	<hr/>
	As at 31 December 2023 (Audited)		
	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000
<b>Financial asset at FVTPL</b>			
Unlisted equity investment	–	–	154,121
	<hr/>	<hr/>	<hr/>

Reconciliation for financial instruments carried at fair value based on significant unobservable inputs (Level 3) are as follows:

	<b>Six months ended 30 June 2024 RMB'000 (Unaudited)</b>	Year ended 31 December 2023 RMB'000 (Audited)
Opening balance	<b>154,121</b>	167,150
Changes in fair value of financial assets at FVTPL	–	(13,029)
Foreign exchange gains	<b>851</b>	–
	<hr/>	<hr/>
Closing Balance	<b>154,972</b>	154,121
	<hr/>	<hr/>

There were no transfers between levels for the six months ended 30 June 2024.

Level 3 instrument comprises financial assets at FVTPL which are not traded in an active market and their valuation was undertaken by APAC Appraisal and Consulting Limited, an independent qualified professional valuer. Market approach was used to determine the underlying equity value of the Company and guideline public company method model were adopted to determine the fair value of the financial assets at FVTPL as at 31 December 2023. Since there was no significant change in market condition or the performance and operation of the investment, no change in fair value was recognised for the six months ended 30 June 2024.

The Company had entered into the Formal Sale and Purchase Agreement with the Purchaser for the disposal of the unlisted equity investment. The transaction is not completed up to the date of this report.

For details of the Disposal, please refer to the section headed "Disposal of the Sales Shares of the Target Company".



# Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2024

## 18. CAPITAL COMMITMENTS

	<b>As at 30 June 2024 RMB'000 (Unaudited)</b>	As at 31 December 2023 RMB'000 (Audited)
Capital expenditure contracted but not provided for in respect of acquisition of property, plant and equipment	<b>46,677</b>	67,353

## 19. RELATED PARTY TRANSACTIONS

Save as disclosed elsewhere in the condensed consolidated financial statements, the Group had the following material transactions with its related parties during the period:

	<b>Six months ended 30 June</b>	
	<b>2024 RMB'000 (Unaudited)</b>	2023 RMB'000 (Unaudited)
Sales of other materials to an associate	<b>832</b>	1,080
Purchases of optical fibre and other materials from an associate	<b>71,723</b>	63,293
Purchases of raw materials from the holding company and fellow subsidiaries of the Group's joint venture partner	<b>10,072</b>	–

The above transactions also constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules and are conducted in accordance with the terms of the relevant agreements.

Besides, the remuneration of the directors of the Company and other members of key management during the period were as follows:

	<b>Six months ended 30 June</b>	
	<b>2024 RMB'000 (Unaudited)</b>	2023 RMB'000 (Unaudited)
Salaries, wages and allowances	<b>1,861</b>	2,060
Retirement benefits scheme contributions	<b>123</b>	126
	<b>1,984</b>	2,186

## 20. EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this interim report, there are no material subsequent events undertaken by the Group after 30 June 2024 till the date of this report.