

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



## **ZIONCOM HOLDINGS LIMITED**

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

**(Stock Code: 8287)**

### **CHANGE IN USE OF PROCEEDS**

Reference is made to the prospectus of the Company in relation to the Share Offer for the Listing on GEM of the Stock Exchange dated 28 December 2017, the Company’s announcement of offer price and allotment results dated 17 January 2018 (the “**Allotment Announcement**”) and the interim results announcement for the six months ended 30 June 2018 dated 10 August 2018 (the “**Interim Results Announcement**”) in relation to the use of the Net Proceeds (as defined below) from the Share Offer. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as defined in the Prospectus.

#### **USE OF PROCEEDS**

According to the Allotment Announcement and the Interim Results Announcement, the actual amount of the net proceeds from the Share Offer after deducting underwriting commission and other expenses in relation thereto, was approximately HK\$42.5 million (the “**Net Proceeds**”).

#### **CHANGE OF USE OF PROCEEDS**

There have been changes to the use of the Net Proceeds (the “**Actual Change**”) and at the date of this announcement, all the Net Proceeds has been utilised.

The changes to and the utilization of the Net Proceeds from the Share Offer is set out below:

Uses of the Net Proceeds	Planned use	Utilised Net Proceeds as of the date of this announcement	Planned unutilised Net Proceeds as of the date of this announcement	Revised allocation and actual utilised	Revised actual use of the Net Proceeds	Remaining
	of the Net Proceeds as of the date of the Interim Results Announcement			amount of the Net Proceeds as of the date of this announcement		balance of the Net Proceeds as of the date of this announcement
	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million	HK\$ million
1. To increase market penetration of our Branded Products in emerging markets in Asia and other markets with good potential	3.9	3.9	–	0.8	4.7	–
2. To introduce automation system to our Shajing Production Facilities in order to lower our production costs	28.1	10.2	17.9	–	10.2	–
3. To enlarge our research and development (“R&D”) capacity	4.5	3.5	1.0	–	3.5	–
4. To reduce our gearing ratio by repaying finance lease facilities	6.0	2.3	3.7	–	2.3	–
5. To outsource to external R&D company	–	–	–	3.0	3.0	–
6. To source raw materials to increase production volume	–	–	–	18.8	18.8	–
Total	42.5	19.9	22.6	22.6	42.5	–

## REASONS FOR CHANGE IN USE OF PROCEEDS

### (1) *Increasing market penetration of the Group’s Branded Products in emerging markets in Asia and other markets with good potential*

Since the Listing, the Group has been actively exploring emerging markets with good potential including South-East Asia, Russia and the United States (the “**Emerging Markets**”). Our salespersons have been regularly visiting these Emerging Markets to look for potential new customers, maintain good relationships with existing customers and for overseas promotion campaigns about the Group. The board of Directors of the Company (the “**Board**”) considered and anticipated an increased demand for the Branded Products in the Emerging Markets and therefore decided to reallocate the Net Proceeds for such purpose.

**(2) *Introducing automation system to our Shajing Production Facilities in order to lower our production costs***

The Group is facing some unexpected challenges in the past year with the development of the trade war between the United States and the PRC (the “**Trade War**”) as the United States government imposed large tariffs (the “**Tariffs**”) on PRC products in July 2018. As such, the Board took contingency measures and decided that, having utilised approximately HK\$10.2 million of the Net Proceeds on the introduction of automated system in the Shajing Production Facilities which is based in the PRC, the Group should slow down on such introduction of automation system given the uncertainties arising from and the impact of the Trade War, especially the Tariffs imposed on the Branded Products. The Net Proceeds used on the introducing automation system were therefore adjusted after due consideration by the Board of the Group’s business operation. The Board had considered that it would be beneficial to the Group’s business operation as a whole to reallocate the unutilised Net Proceeds of approximately HK\$17.9 million for funding of the cost of raw materials. These raw materials were used to increase the production of Branded Products at our factories, including our new factory in Vietnam, i.e. Lot A Facilities, which were not subject to the Tariffs as the Board had identified the Group’s competitive advantage in this respect as compared to the Group’s PRC competitors.

**(3) *Enlarging our R&D capacity***

Since the Listing, the Group has utilised approximately HK\$3.5 million for the enlargement of the in-house R&D team. In view of our anticipation of the rapidly growing Asian markets, the Board was hoping to expedite the speed of R&D on the Branded Products by outsourcing to external independent third party R&D company in addition to the existing in-house R&D capacity. With the aim to diversify our range of product varieties, the Group has engaged an external independent third party R&D company for the development of a new augmented reality software and hardware products as our in-house R&D team focuses mainly on developing networking products. The Board had considered that the excess in the sum of approximately HK\$1.0 million of the unutilized Net Proceeds could be used to partially fund the outsourcing to external independent third party R&D company to serve the purpose of diversification of product varieties.

**(4) *Reducing the Group’s gearing ratio by repaying finance lease facilities***

Since the Group has been adhering to the repayment schedule for the existing finance leases by utilizing approximately HK\$2.3 million of the Net Proceeds, the Board considered that it would be in the Group’s interest to reallocate the unutilised Net Proceeds of approximately HK\$3.7 million to the outsourcing to external R&D company as described above and the funding of the purchase of raw materials and decided not to enter into any finance leases for the year ended 31 December 2018.

**(5) *Outsourcing to external R&D company***

While the Group’s in-house R&D activities continued to record satisfactory progress, the Group is committed to continue its R&D activities to strengthen our product varieties in order to support our long term growth.

In anticipation of the rapidly growing Asian markets, the Board had reassessed the funding needs for the in-house R&D activities and reallocated approximately HK\$3.0 million of unutilised Net Proceeds for the outsourcing to external independent third party R&D company. The Board considered that it would be a more effective way to achieve the goal of speeding up R&D and diversifying product varieties. As such, the Group reallocated the unutilised Net Proceeds for the outsourcing to external independent third party R&D company to expedite the R&D activities in order to meet the market demand.

**(6) Sourcing of raw materials to increase production volume**

As there was an anticipated increase in demand for our products since the Listing of the Group and in order to meet such increased demand, the Board had decided to reallocate the sum of approximately HK\$18.8 million of unutilised Net Proceeds from other uses (as shown in the table above) to the sourcing of raw materials including IC, SDRAM and double data rate topologies (normally known as “DDR”) which are all key components in the production of the Group’s Branded Products. Given the high value of these raw materials, the said sum was used to settle accounts payable to the Group’s independent third party suppliers to ensure the stable supply of raw materials which were in turn used to increase the Group’s production volume to meet the anticipated increase in demand for the Group’s products.

Taking into account the current business focus and strategies of the Company above, the Directors (including all the independent non-executive Directors) considers that the Actual Change will allow the Company to deploy its financial resources more effectively, which is in the best interest of the Company and its shareholders as a whole.

By order of the Board  
**Zioncom Holdings Limited**  
**Kim Byung Kwon**  
*Chairman*

Hong Kong, 29 March 2019

*As at the date of this announcement, the executive Directors of the Company are Mr. Kim Byung Kwon, Mr. Kim Jun Yeob, Mr. Koo Ja Chun and Mr. Xiao Jingen; and the independent non-executive Directors of the Company are Mr. Yiu Kwing Sum, Mr. Ko Ming Tung, Edward and Mr. Shin Dongmin.*

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

*This announcement will remain on the “Latest Company Announcements” page of the website of GEM of the Stock Exchange at <http://www.hkgem.com> for at least seven days from the date of its posting. This announcement will also be published on the website of the Company at <http://www.zioncom.net>.*