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Zhonggan Communication (Group) Holdings Limited
中贛通信（集團）控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2545)

CHANGE IN USE OF PROCEEDS

References are made to (i) the section headed “Future Plans and Use of Proceeds” in the prospectus of Zhonggan Communication (Group) Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) dated 28 June 2024 (the “**Prospectus**”) in relation to the listing of the Group’s shares on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) by way of Global Offering (the “**Listing**”); and (ii) the section headed “Directors’ Report – Use of Proceeds from Global Offering” in the annual report of the Group for the year ended 31 December 2024 (the “**Annual Report**”) published on 25 April 2025, which set out the use of net proceeds from the Listing (as defined below) as at 31 December 2024. Unless otherwise defined, capitalised terms used in this announcement shall have the same meanings as those defined in the Prospectus and the Annual Report.

As disclosed in the Annual Report, the Group was listed on the Main Board of the Stock Exchange on 3 July 2024. After deducting underwriting fees and related expenses, the total net proceeds from the Global Offering (the “**Net Proceeds**”) amounted to approximately HK\$141.9 million, the originally intended use and allocation of which had been set out in the section “Future Plans and Use of Proceeds” of the Prospectus. As at the date of this announcement, the utilised Net Proceeds amounted to approximately HK\$10.1 million, while the unutilised Net Proceeds amounted to approximately HK\$131.8 million.

CHANGE IN USE OF PROCEEDS

In view of the reasons and benefits set out under the paragraph headed “Reasons for and benefits of the change in the use of proceeds” below, after careful consideration and detailed evaluation of the Group’s operations and business strategies, on 12 May 2025, the board (the “**Board**”) of directors (the “**Directors**”) of the Company has resolved to change the intended use of the unutilised Net Proceeds with an updated expected timeline of full utilisation as follows:

Usage	Planned allocation of Net Proceeds <i>HK\$ in million</i>	Utilised amounts of Net Proceeds as of the date of this announcement <i>HK\$ in million</i>	Unutilised amounts of Net Proceeds as of the date of this announcement <i>HK\$ in million</i>	Revised allocation of unutilised amounts of Net Proceeds <i>HK\$ in million</i>	Updated expected timeline for utilisation of the unutilised Net Proceeds
Selectively pursue strategic acquisitions	89.4	–	89.4	–	N/A
Payment of upfront costs in respect of prospective Integrated Solution Services projects	22.0	–	22.0	32.0	By the end of 31 December 2026
Strengthen research and development capabilities	24.6	4.2	20.4	45.4	By the end of 31 December 2026
Repayment of bank borrowings	–	–	–	39.4	By the end of 31 December 2026
General working capital	5.9	5.9	–	15.0	By the end of 31 December 2026
Total	141.9	10.1	131.8	131.8	

REASONS FOR AND BENEFITS OF THE CHANGE IN THE USE OF PROCEEDS

In seeking for selective strategic acquisitions, although the Group has engaged discussions with several potential acquisition targets after the Listing, as at the date of this announcement, no agreement for acquisition has been reached in respect of any of them. Taking into consideration the various internal and external factors, such as the recent slowdown in the global and local economies as well as the uncertainty of international situation, which have resulted in the overall operating conditions of the potential acquisition targets being far below the expectation of the Group, coupled with the intensified competition in the telecommunications infrastructure services industry, the acquisition strategy alone is no longer sufficient to maintain a competitive edge. Therefore, the Group has adopted a more prudent approach to strategic acquisitions to ensure that any acquisition is only reported after careful consideration and is in the interests of the Group and its shareholders (the “**Shareholders**”) as a whole. In the future, the Group will make unremitting efforts to identify acquisition targets that are in the interests of the Group and the Shareholders as a whole. If there are suitable targets, the Group will resume acquisition activities with its own funds and/or bank borrowings. The Board is of the view that the Group will not utilise the acquisition funds as scheduled or in a timely manner. As mentioned above, it may not be the best option to proceed with strategic acquisitions at this stage, and hence a decision is made to propose that the remaining Net Proceeds originally designated for such purpose be reallocated for the following purposes:

1. Increasing the payment of upfront cost for the Integrated Solution Services projects

According to the recent research and analysis, the Group considers that the existing scale of the Integrated Solution Services projects is larger than the previously expected, resulting in a concurrent increase in the relevant upfront costs for the projects. Therefore, an appropriate increase in the upfront cost investment will be conducive to the Group’s provision of better integrated solutions services. Also, the gross profit margin of the Integrated Solution Services is relatively higher and can improve the profitability of the Group.

2. Increasing investment in R&D capacity

The development of new information technologies such as 6G and AI in the second half of 2024 has outpaced our expectations. After due consideration, the Board is of the view that it is necessary to increase the investment in the R&D aspects including 6G, AI and quantum communications to ensure that our technological capability matches the current cutting-edge technological standards and enhance our core competitiveness in the long run. With the accelerating global digital transformation and growing demand for communication technologies, the Group can further strengthen our market competitiveness through technological innovations and quality services, thus increasing investment in R&D capacity is in line with the development plans and the long-term interests of the Group.

3. Repayment of bank loans and general working capital

As stated in the Prospectus, the Group only deposited the Net Proceeds in short-term interest-bearing accounts with licensed commercial banks and/or other authorized financial institutions, which generated a relative low interest income as compared to the prevailing bank loan interest rates. To enhance the Group's financial stability and allocate the capital more efficiently for the purpose of creating long-term Shareholder value, after careful consideration, the Board proposes to reallocate a portion of the Net Proceeds that are originally intended for strategic acquisitions to repay the bank borrowings and as general working capital to strengthen cash flow management and address global and local economic uncertainties. The Board believes that repaying bank loans would reduce financing costs without materially adversely affecting the Group's existing business and operations. Instead, it will improve capital efficiency, optimize balance sheet structure, as well as enhance its profitability, which is in line with the Group's development strategy and the overall interests of Shareholders.

The Group will provide updates to the Shareholders on the utilization of the unutilised Net Proceeds through the disclosures in its annual reports and interim reports. Further announcements will be made by the Group in a timely manner in accordance with the requirements of the Rules Governing the Listing of Securities on the Stock Exchange and other applicable laws.

The Board will continue to monitor the use of the unutilised Net Proceeds and may, where necessary, modify or revise such utilization schemes in response to the rapidly changing market conditions, striving to pursue better business performance for the Group.

By Order of the Board
Zhonggan Communication (Group) Holdings Limited
Liu Haoqiong
Chairman and Executive Director

Hong Kong, 12 May 2025

As at the date of this announcement, the executive Directors are Mr. Liu Haoqiong, Mr. Peng Shengqian, Ms. Xie Xiaolan, Mr. Liu Dingli, Mr. Liu Dingyi and Mr. Zhou Zhiqiang; and the independent non-executive Directors are Mr. Yu Shiyong, Mr. Li Yinguo and Mr. Zhu Yugang.