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## **ZIONCOM HOLDINGS LIMITED**

**百家淘客股份有限公司**

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

**(Stock Code: 8287)**

### **UNAUDITED ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021**

#### **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

*This announcement, for which the directors (the “**Directors**”) of Zioncom Holdings Limited (the “**Company**”) 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 (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.*

## UNAUDITED ANNUAL RESULTS

Due to the reasons explained below under “**Review of unaudited annual results**”, the audit process for the annual results of the Company and its subsidiaries (together the “**Group**”) for the year ended 31 December 2021 has been disrupted and has not been completed as of the announcement date. In order to keep the shareholders of the Company (the “**Shareholders**”) and potential investors informed of the business operation and financial position of the Group, the board (the “**Board**”) of Directors of the Company presents the unaudited annual results of the Group for the year ended 31 December 2021 based on the management account, together with the comparative audited figures for the year ended 31 December 2020.

### UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2021*

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
<b>Revenue</b>	5	<b>621,094</b>	607,708
Cost of sales		<b>(560,181)</b>	(515,218)
<b>Gross profit</b>		<b>60,913</b>	92,490
Other income	6	<b>4,011</b>	13,853
Changes in fair value of financial assets			
at fair value through profit or loss		<b>252</b>	226
Realised fair value loss of financial assets			
at fair value through profit or loss		–	(143)
Net allowance for expected credit losses in respect of			
trade receivables, deposits and other receivables		<b>(9,098)</b>	(12,907)
Selling and distribution expenses		<b>(19,684)</b>	(22,887)
Administrative expenses		<b>(50,967)</b>	(45,664)
Research and development expenses		<b>(22,921)</b>	(27,904)
<b>Loss from operations</b>		<b>(37,494)</b>	(2,936)
Finance costs	7	<b>(2,979)</b>	(3,530)
<b>Loss before taxation</b>	8	<b>(40,473)</b>	(6,466)
Taxation	9	<b>(503)</b>	(1,729)
<b>Loss for the year</b>		<b>(40,976)</b>	(8,195)

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
<b>Other comprehensive income for the year, net of tax</b>			
<b><i>Items that will not be reclassified to profit or loss:</i></b>			
Surplus on revaluation of properties		3,504	3,062
Deferred tax liabilities arising from revaluation of properties		(672)	(741)
		<u>2,832</u>	<u>2,321</u>
<b><i>Item that may be reclassified subsequently to profit or loss:</i></b>			
Exchange difference on translating of foreign operations		<u>13,227</u>	<u>4,525</u>
<b>Other comprehensive income for the year, net of tax</b>		<u>16,059</u>	<u>6,846</u>
<b>Total comprehensive loss for the year, net of tax</b>		<u>(24,917)</u>	<u>(1,349)</u>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Company		(45,647)	(10,594)
Non-controlling interests		<u>4,671</u>	<u>2,399</u>
		<u>(40,976)</u>	<u>(8,195)</u>
<b>Total comprehensive (loss)/income attributable to:</b>			
Owners of the Company		(29,588)	(3,996)
Non-controlling interests		<u>4,671</u>	<u>2,647</u>
		<u>(24,917)</u>	<u>(1,349)</u>
<b>Loss per share attributable to the owners of the Company</b>			
Basic and diluted ( <i>HK cents</i> )	11	<u>(6.92)</u>	<u>(1.61)</u>

# UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

	Notes	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment		132,237	136,526
Right-of-use assets		11,810	22,381
Financial assets at fair value through profit or loss		11,688	11,412
		<u>155,735</u>	<u>170,319</u>
<b>Current assets</b>			
Inventories		179,516	186,870
Trade and bills receivables	12	48,024	60,029
Prepayments, deposits and other receivables		46,035	42,961
Amount due from a director		–	1,712
Tax recoverables		–	897
Pledged bank deposits		25,261	25,463
Cash and bank balances		22,386	9,452
		<u>321,222</u>	<u>327,384</u>
<b>Current liabilities</b>			
Trade and bills payables	13	160,694	186,148
Accruals, deposits received and other payables		29,198	22,239
Contract liabilities		25,821	18,216
Amount due to a director		401	–
Bank borrowings		108,554	83,457
Lease liabilities		3,010	11,211
Tax payables		2,258	827
		<u>329,936</u>	<u>322,098</u>
<b>Net current (liabilities)/assets</b>		<u>(8,714)</u>	<u>5,286</u>
<b>Total assets less current liabilities</b>		<u>147,021</u>	<u>175,605</u>
<b>Non-current liabilities</b>			
Lease liabilities		569	4,903
Deferred tax liabilities		5,281	4,614
		<u>5,850</u>	<u>9,517</u>
<b>Net assets</b>		<u>141,171</u>	<u>166,088</u>
<b>Capital and reserves</b>			
Share capital	14	6,600	6,600
Reserves		118,227	147,815
<b>Total equity attributable to owners of the Company</b>		<u>124,827</u>	<u>154,415</u>
<b>Non-controlling interests</b>		<u>16,344</u>	<u>11,673</u>
<b>Total equity</b>		<u>141,171</u>	<u>166,088</u>

# UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2021

	Attributable to owners of the Company							Sub-total HK\$'000	Non- controlling interests HK\$'000	Total equity HK\$'000
	Share capital HK\$'000	Share premium HK\$'000 (Note a)	Other reserve HK\$'000 (Note b)	Surplus reserve HK\$'000 (Note c)	Exchange reserve HK\$'000 (Note d)	Revaluation surplus reserve HK\$'000 (Note e)	Retained earnings/ (accumulated losses) HK\$'000			
At 1 January 2020 (Audited)	6,600	58,924	39,551	4,325	(6,381)	23,900	31,492	158,411	9,026	167,437
(Loss)/profit for the year	–	–	–	–	–	–	(10,594)	(10,594)	2,399	(8,195)
Other comprehensive income for the year	–	–	–	–	4,277	2,321	–	6,598	248	6,846
(Loss)/profit and total comprehensive loss for the year	–	–	–	–	4,277	2,321	(10,594)	(3,996)	2,647	(1,349)
Transfer to surplus reserve	–	–	–	1,548	–	–	(1,548)	–	–	–
At 31 December 2020 (Audited) and 1 January 2021	6,600	58,924	39,551	5,873	(2,104)	26,221	19,350	154,415	11,673	166,088
(Loss)/profit for the year	–	–	–	–	–	–	(45,647)	(45,647)	4,671	(40,976)
Other comprehensive income for the year	–	–	–	–	13,227	2,832	–	16,059	–	16,059
(Loss)/profit and total comprehensive loss for the year	–	–	–	–	13,227	2,832	(45,647)	(29,588)	4,671	(24,917)
Transfer to surplus reserve	–	–	–	49	–	–	(49)	–	–	–
At 31 December 2021 (Unaudited)	6,600	58,924	39,551	5,922	11,123	29,053	(26,346)	124,827	16,344	141,171

## Notes:

- (a) Share premium represented the excess of share issue over the par value.
- (b) Other reserve represented the difference between the Group's share of nominal values of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon Reorganisation.

On 20 March 2019, the Group deemed disposal 27.63% equity interests of Zioncom Vietnam, an indirect wholly owned subsidiary of the Company, by way of increasing the registered capital of Zioncom Vietnam from US\$5,500,000 to US\$7,600,000. The non-controlling interests of Zioncom Vietnam agreed to pay US\$2,100,000 for the increase capital of Zioncom Vietnam. The Group recognised an increase in other reserve of approximately HK\$7,559,000.

- (c) Subsidiaries of the Company established in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.
- (d) Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.
- (e) Revaluation surplus reserve represents the revaluation gains or losses arising on the Land and Building situated in the PRC, for such reclassifications, the cumulative increase in fair value at the date of reclassification in excess of any previous accumulative depreciation and impairment losses is included in the property revaluation reserve, and will be transferred to retained earnings upon the retirement or disposal of the relevant property.

# NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

*For the year ended 31 December 2021*

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 January 2016. The registered office of the Company is located at Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KYI-1108, Cayman Islands and the principal place of business of the Company is located in Office A, 9/F., Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories, Hong Kong.

The Company's ultimate holding company is Absolute Skill Holdings Limited ("**Absolute Skill**"), an investment holding company incorporated in Samoa with limited liability. Absolute Skill is wholly-owned by Ms. Sui Xiaohe, who is a director of Absolute Skill.

The Company is an investment holding company and its subsidiaries are principally engaged in the manufacturing and sales of networking products and non-networking products.

The consolidated financial statements are presented in Hong Kong dollars ("**HK\$**"). The functional currency of the Company is HK\$ and its principal subsidiaries are HK\$ and U.S. dollars ("**US\$**") and all values are rounded to the nearest thousands (HK\$'000), unless otherwise stated.

## 2. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES

### **Basis of preparation**

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**"), HKASs, and Interpretations issued by the Hong Kong Institute of Certified Public Accountant ("**HKICPA**"), and accounting principles generally accepted in Hong Kong. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the GEM Listing Rules and the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain properties and financial instruments which are measured at revalued amounts or fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 Share-based Payment, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 Inventories or value in use in HKAS 36 Impairment of Assets.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

### **Going concern basis**

During the year ended 31 December 2021, the Group incurred a loss of approximately HK\$40,976,000 and, as of that date, the Group had net current liabilities of approximately HK\$8,714,000.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group. The Directors adopted the going concern basis for the preparation of the consolidated financial statements and implemented the following measures in order to improve the working capital and liquidity and cash flow position of the Group:

#### *1. Alternate source of external funding*

The Group is actively considering to raise new capital by carrying out fund raising activities including but not limited to right issue, open offer and placing of new shares. On 28 February 2022, the Company proposed to raise not more than of approximately HK\$23,100,000 before related expenses. For details of the rights issue, please refer to the Company's announcement dated 28 February 2022.

#### *2. Operating plans*

The Group is taking measures to tighter costs and expenses and seek new profitable contracts for electronic networking products.

In the opinion of the Directors, in light of the various measures or arrangements implemented after the end of reporting period together with the expected results of the other measures, the Group will have sufficient working capital for its current requirements and it is reasonable to expect the Group to remain a commercially viable concern. Accordingly, the Directors are satisfied that it is appropriate to prepare the consolidated financial statements on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for any future liabilities which might arise and to reclassify non-current assets and liabilities as current assets and liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS (“HKFRSs”)

#### Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Covid-19-Related Rent Concessions
Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group applied the agenda decision of the HKFRS Interpretations Committee of HKICPA issued on June 2021 which clarified the costs an entity should include as “estimated costs necessary to make the sale” when determining the net realisable value of inventories.

The applications of the amendments to HKFRSs in the current year has had no material impact on the Group’s financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

#### New and amendments to HKFRSs in issued but not yet effective

HKFRS 17	Insurance Contracts and the related Amendments <sup>1</sup>
Amendments to HKFRS 3	Reference to the Conceptual Framework <sup>2</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021 <sup>4</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) <sup>1</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Estimates <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and liabilities arising from a Single Transaction <sup>1</sup>
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use <sup>2</sup>
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract <sup>2</sup>
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020 <sup>2</sup>
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination <sup>2</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023.

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2022.

<sup>3</sup> Effective for annual periods beginning on or after a date to be determined.

<sup>4</sup> Effective for annual periods beginning on or after 1 April 2021.

The Directors anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.



#### 4. SEGMENT INFORMATION

During the years ended 31 December 2021 and 2020, the Group operates in one operating segment which is the manufacturing and sales of electronic networking products. A single management team reports to the Directors of the Group (being the chief operating decision-maker) who comprehensively manages the entire business. Accordingly, the Group does not present separately segment information.

##### Geographical information

The Group's revenue from external customers based on the locations of the customers is detailed as below:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Korea	385,507	412,736
The People's Republic of China (the "PRC")	27,888	18,055
Vietnam	31,726	36,700
Other Asia (excluding Korea, the PRC and Vietnam)	127,753	102,513
Europe	13,111	6,718
South America	22,683	25,716
Africa	11,775	3,083
North America	651	2,187
	<u>621,094</u>	<u>607,708</u>

The following is an analysis of the carrying amount of non-current assets, excluding financial assets at fair value through profit or loss, analysed by the geographical areas in which the assets are located:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Hong Kong	445	719
Mainland China	84,887	97,505
Vietnam	57,800	59,210
Others	915	1,473
	<u>144,047</u>	<u>158,907</u>

## Information about major customer

Revenues from customer contributing over 10% of the total revenue of the Group during the reporting period is as follows:

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Customer A ( <i>note</i> )	<u>337,376</u>	<u>370,100</u>

*Note:*

Revenue from manufacturing and trading of networking products including routers, switches and LAN cards.

## 5. REVENUE

Revenue represents the aggregate of the amounts received and receivable from third parties, income from provision of sales of networking products and non-networking products and processing services income. Revenue recognised during the years are as following:

### (a) Disaggregation of revenue from contracts with customers

The Group revenue is disaggregated by the type of goods or services provided to customers, the geographical market, and the timing of goods and services transferred.

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<b>Type of goods or service</b>		
<b>Goods transferred at a point in time</b>		
Sales of router products	491,454	475,550
Sales of switch products	40,855	61,687
Sales of other networking products	62,307	46,219
Sales of non-networking products	26,054	24,252
Processing services income	<u>424</u>	<u>—</u>
Total revenue from contracts with customers	<u>621,094</u>	<u>607,708</u>

The Group operates in one operating segment for the manufacturing and sales of electronic networking products. Set out below is the revenue from contracts with customers with the amounts disclosed in the segment information.

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<b>Geographical markets</b>		
Korea	385,507	412,736
The PRC	27,888	18,055
Vietnam	31,726	36,700
Other Asia (excluding Korea, the PRC and Vietnam)	127,753	102,513
Europe	13,111	6,718
South America	22,683	25,716
Africa	11,775	3,083
North America	651	2,187
	<hr/>	<hr/>
Total revenue from contracts with customers	<b>621,094</b>	<b>607,708</b>
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**(b) Performance obligations for contracts with customers**

Details of performance obligations for contracts with customers for the years ended 31 December 2021 and 2020 are set out in the consolidated financial statements.

**(c) Transaction price allocated to the remaining performance obligation for contracts with customers**

All revenue from sales of networking products and non-networking products and processing services income are for the periods of one year or less. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

## 6. OTHER INCOME

	2021 <b>HK\$'000</b> (Unaudited)	2020 <b>HK\$'000</b> (Audited)
Government grants ( <i>note</i> )	3,115	3,211
Bank interest income	373	292
Exchange gain, net	–	9,829
Investment income	–	148
Gain on lease modifications	270	–
Gain on lease termination	34	–
Sundry income	219	373
	<u>4,011</u>	<u>13,853</u>

*Note:*

During the year ended 31 December 2021, the Group recognised government grants of approximately HK\$nil (2020: HK\$68,000) in respect of COVID-19-related subsidies which is related to Employment Support Scheme provided by the Hong Kong Government. Besides, various government grants have been received mainly from Ministry of Science and Technology of the PRC, Ministry of Finance and State Administration of Taxation for the Group's business conducted in the PRC. There are no unfulfilled conditions or contingencies related to these grants.

## 7. FINANCE COSTS

	2021 <b>HK\$'000</b> (Unaudited)	2020 <b>HK\$'000</b> (Audited)
Interest expenses on bank borrowings wholly repayable within five years	2,492	2,534
Interest expenses on lease liabilities	487	996
	<u>2,979</u>	<u>3,530</u>

## 8. LOSS BEFORE TAXATION

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<b>Loss before taxation has been arrived at after charging/(crediting):</b>		
Directors' emoluments	6,625	6,430
Other staff costs:		
Salaries and other benefits	76,372	79,047
Bonuses	309	1,108
Retirement scheme contributions	5,260	5,562
	<u>81,941</u>	<u>85,717</u>
Auditors' remuneration		
– audit services	1,278	1,294
Written off of inventories	658	88
Depreciation of right-of-use assets	7,612	8,404
Depreciation of property, plant and equipment		
– selling and distribution expenses	10	283
– administrative expenses	3,200	5,224
– cost of sales	9,942	7,059
– research and development expenses	2,510	2,800
	<u>15,662</u>	<u>15,366</u>
Cost of inventories recognised as an expenses	368,498	411,420
Changes in fair value of financial assets		
at fair value through profit or loss	(252)	(226)
Realised fair value loss of financial assets		
at fair value through profit or loss	–	143
Loss on disposal of property, plant and equipment	36	50
Exchange loss/(gain), net	5,828	(9,829)
Expenses relating to short-term leases	217	322
Net allowances for expected credit losses on		
trade receivables, deposits and other receivables		
– Allowance for expected credit losses on trade receivables	10,676	23,622
– Allowance for expected credit losses on deposits and other receivables	78	1
– Reversal of allowance for expected credit losses		
on trade receivables	(1,653)	(10,531)
– Reversal of allowance for expected credit losses		
on deposits and other receivables	(3)	(185)
	<u>9,098</u>	<u>12,907</u>

## 9. TAXATION

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
<b>Current taxation:</b>		
Over-provision for prior year		
– Other than Hong Kong	(1,799)	–
Provision for the year		
– Other than Hong Kong	2,307	1,775
	<u>508</u>	<u>1,775</u>
<b>Deferred taxation:</b>		
Credit for the year	(5)	(46)
	<u>503</u>	<u>1,729</u>

No provision of Hong Kong profits tax has been made as the Group had no assessable profits for the years ended 31 December 2021 and 2020.

吉翁電子（深圳）有限公司 is a qualified High and New Technology Enterprise defined by Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality and Shenzhen Municipal office of the State Administration of Taxation and therefore was entitled to 15% preferential tax rate from PRC enterprise income tax. The PRC enterprise income tax is calculated at 15% preferential tax rate on the estimated assessable profit for the years ended 31 December 2021 and 2020.

Taiwan Corporate Income Tax is calculated at 20% on the estimated assessable profit for the years ended 31 December 2021 and 2020.

Vietnam Corporate Income Tax is calculated at 20% of the estimated assessable profit. In accordance with the Law of Corporate Income Tax that profits earned by enterprises that carry out new investment projects in industrial zones, Zioncom Vietnam is entitled to an exemption from Corporate Income Tax for the first two years in which a taxable profit is earned and 50% tax reduction for the following four years. No provision of profits tax for the subsidiary in Vietnam for the years ended 31 December 2021 and 2020.

Malaysia Corporate Income Tax is calculated at 17% on the first MYD600,000 and 24% for remaining estimated assessable profit for the years ended 31 December 2021 and 2020. No provision of corporate income tax for the subsidiary in Malaysia has been recognised as no assessable profit for the years ended 31 December 2021 and 2020.

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the BVI as they are not subject to any tax during the years ended 31 December 2021 and 2020.

## 10. DIVIDENDS

The Board of Directors do not recommend the payment of any dividend for the year ended 31 December 2021 (2020: Nil).

## 11. LOSS PER SHARE

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Loss for the year attributable to the owners of the Company	<u>(45,647)</u>	<u>(10,594)</u>
	<i>'000</i>	<i>'000</i>
Weighted average number of ordinary shares in issue	<u>660,000</u>	<u>660,000</u>

The calculation of basic loss per share for the years ended 31 December 2021 and 2020 are calculated by dividing the loss for the year attributable to the owners of the Company over the weighted average number of ordinary shares in issue during the year.

Diluted loss per share was same as the basic loss per share as there were no potential dilutive ordinary shares exist during the years ended 31 December 2021 and 2020.

## 12. TRADE AND BILLS RECEIVABLES

	2021 <i>HK\$'000</i> (Unaudited)	2020 <i>HK\$'000</i> (Audited)
Trade receivables	87,155	89,908
Less: Allowance for expected credit losses	<u>(39,159)</u>	<u>(29,911)</u>
	47,996	59,997
Bills receivables	<u>28</u>	<u>32</u>
	<u>48,024</u>	<u>60,029</u>

As at 31 December 2021 and 2020, trade receivables (net of allowance for expected credit losses) from contracts with customers amounted to approximately HK\$47,996,000 and approximately HK\$59,997,000 respectively.

The following is an ageing analysis of trade receivables (net of allowance for expected credit losses) presented based on the invoice date at the end of the reporting periods:

	<b>2021</b> <b><i>HK\$'000</i></b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Within 30 days	<b>18,294</b>	23,649
31 to 60 days	<b>10,090</b>	7,383
61 to 90 days	<b>7,728</b>	5,358
91 to 180 days	<b>10,310</b>	9,993
Over 180 days	<b>1,574</b>	13,614
	<hr/> <b>47,996</b> <hr/>	<hr/> 59,997 <hr/>

The Group generally allows an average credit period range from 30 to 120 days to its customers.

Allowance for expected credit losses of HK\$39,159,000 have been recognised for trade receivables as at 31 December 2021 (2020: HK\$29,911,000).

### 13. TRADE AND BILLS PAYABLES

	<b>2021</b> <b><i>HK\$'000</i></b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Trade payables	<b>113,572</b>	138,621
Bills payables	<b>47,122</b>	47,527
	<hr/> <b>160,694</b> <hr/>	<hr/> 186,148 <hr/>



The average credit period from suppliers is up to 30 to 120 days. The following is an ageing analysis of trade payables presented based on the invoice date at the end of the reporting period:

	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2020 <i>HK\$'000</i> (Audited)
Within 30 days	<b>57,338</b>	67,791
31 to 60 days	<b>18,415</b>	30,744
61 to 90 days	<b>13,517</b>	17,698
91 to 180 days	<b>21,795</b>	21,117
Over 180 days	<b>2,507</b>	1,271
	<u><b>113,572</b></u>	<u>138,621</u>

All bills payables at the end of the reporting periods are not yet due.

#### 14. SHARE CAPITAL

	<b>Number of Shares '000</b>	<b>Amount HK\$'000</b>
<b>Authorised:</b>		
Ordinary share of HK\$0.01 each as at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>50,000,000</u>	<u>500,000</u>
<b>Issued and fully paid:</b>		
As at 1 January 2020, 31 December 2020, 1 January 2021 and 31 December 2021	<u>660,000</u>	<u>6,600</u>

## **MANAGEMENT DISCUSSION AND ANALYSIS**

### **BUSINESS REVIEW AND OUTLOOK**

The Group is principally engaged in manufacturing and sales of networking products, specialising in the design and development of wireless networking products which are primarily targeted for home use and small scale commercial applications. The Group also manufactures and sells wired and wireless networking products such as Ethernet switches, LAN cards, Wi-Fi modules and Access Points as well as non-networking products, such as power banks and USB hubs. Its operations are mainly based in the PRC. Its main products are routers, which provide for wired and wireless transmission of data to devices while maintaining wired connection with modems.

The Group recorded an unaudited loss for the year of approximately HK\$41.0 million and attributable to equity holders of the Company of approximately HK\$45.6 million for the year ended 31 December 2021.

The Group sold its branded products mainly on a wholesale basis through its distributors covering many countries and regions including Korea, the PRC, Vietnam, Hong Kong, Taiwan and Malaysia, etc. In addition, the subsidiaries of the Group in Taiwan and Vietnam have strong sales team working closely with its distributors. The revenues contributed from the Group's Taiwan and Vietnam operations were approximately HK\$48.8 million and HK\$76.0 million respectively for the year ended 31 December 2021, which in aggregate contributed approximately 20.08% of the Group's revenue. The Group is looking forward to the growth in the Asia-Pacific market including Vietnam and Taiwan in the coming years.

Including the revenue from the Group's largest customer, which represented approximately 54.3% of the Group's total revenue for the year ended 31 December 2021, approximately 62.1% of the revenue was generated from the Group's largest market, Korea, for the year ended 31 December 2021. The revenue generated from Korea decreased by approximately 6.6%. Any change in economic conditions of the Group's export countries, such as interest rates, currency exchange rates, inflation, deflation, political uncertainty, taxation, stock market performance and general consumer confidence, may affect the volume of purchase from the Group's customers as well as the Group's business operations and financial performance.

### **OUTLOOK**

The Group's business objective is to strengthen the Group's position as a networking products manufacturer specialising in the design and development of wireless networking products by enhancing recognition of the Group's own brand and increasing the Group's profitability. In support of the Group's business objective, the Group will continue to implement the business strategies of promoting the Group's growth in the emerging markets in Asia and other markets with good potential, increasing the Group's production capacity and broadening its product offerings, and enhancing its overall competitiveness and market share.

The current business environment remains overshadowed by the United States and PRC trade tensions with a possible trade truce and the recent COVID-19 pandemic in the world. The global COVID-19 pandemic constitutes an extraordinary event, a public health risk to all countries through international spread, and continue to require a coordinated international response. The speed of recovery and the extent of any long term impact remain uncertain but will depend on the duration and severity of the outbreak and associated containment measures. The Group is cautiously optimistic that the economic impact due to the COVID-19 pandemic will be mitigated as a result of anti-epidemic measures implemented by the various governments and the on-going vaccination schemes. Despite this, the Group will continue to pursue and maintain a conservative but proactive investment approach, focusing on product innovation, market share gain, geographical expansion and operational excellence, so as to bring better returns for the shareholders and ensure the Company stays competitive in the market.

## FINANCIAL REVIEW

### Revenue

For the year ended 31 December 2021, the Group recorded revenue of approximately HK\$621.1 million (2020: HK\$607.7 million), and achieved an increase of HK\$13.4 million or 2.2%. Such increase was contributed by increased sales from networking products. Set out below is the revenue breakdown of the Group for the years ended 31 December 2021 and 2020:

	For the year ended 31 December			
	(Unaudited)		(Audited)	
	2021		2020	
	HK\$'000	%	HK\$'000	%
<b>Type of goods or service</b>				
<b>Goods transferred at a point in time</b>				
Sales of router products	491,454	79.1	475,550	78.2
Sales of switch products	40,855	6.6	61,687	10.2
Sales of other networking products	62,307	10.0	46,219	7.6
Sales of non-networking products	26,054	4.2	24,252	4.0
Processing services income	424	0.1	–	0.0
<b>Total revenue from contracts with customers</b>	<b>621,094</b>	<b>100.0</b>	<b>607,708</b>	<b>100.0</b>

The revenue from router products increased by approximately 3.3% for the year ended 31 December 2021 as compared with that of the previous year. The increase was mainly due to the increase in sales orders from the Group's customers on 5G/4G Wi-Fi routers during the year ended 31 December 2021. The revenue from sales in switch decreased by approximately 33.8% and other networking products increased by approximately 34.8% respectively. The Group will continue to put more resources to expand the emerging markets in Asia and other areas with good potential in order to enhance the Group's revenue base.

## **Cost of sales and gross profit**

The Group's gross profit decreased by approximately 34.2% from approximately HK\$92.5 million for the year ended 31 December 2020 to approximately HK\$60.9 million for the year ended 31 December 2021. The Group's cost of sales comprises costs of materials, direct labour, manufacturing overhead, subcontracting services fee, other overheads and write-off of inventories. The cost of sales increased by approximately 8.7% from approximately HK\$515.2 million for the year ended 31 December 2020 to approximately HK\$560.2 million for the year ended 31 December 2021.

The gross profit margin was approximately 9.8% for the year ended 31 December 2021 (2020: approximately 15.2%). The significant decrease of gross profit margin mainly due to the decrease of gross profit margin for the revenue from our largest customer and the increase of raw material cost during the year.

## **Other income**

The other income of the Group decreased by HK\$9.9 million or approximately 71.2% to approximately HK\$4.0 million for the year ended 31 December 2021 from approximately HK\$13.9 million for the year ended 31 December 2020. It was mainly attributable to a decrease of HK\$9.8 million in exchange gain, net in 2021.

## **Selling and distribution expenses**

Selling and distribution expenses decreased by approximately 14.0% to approximately HK\$19.7 million for the year ended 31 December 2021 from approximately HK\$22.9 million for the year ended 31 December 2020, which was mainly due to the decrease of marketing expenses.

## **Administrative expenses**

The administrative expenses of the Group for the year ended 31 December 2021 amounted to approximately HK\$51.0 million, representing an increased of approximately HK\$5.3 million as compared with approximately HK\$45.7 million for the year ended 31 December 2020. The increased was mainly attributable to an increased of HK\$3.7 million on other staff costs and increased of HK\$1.8 million on revaluation of land and building.

## **Research and development expenses**

Research and development expenses decreased by HK\$5.0 million or approximately 17.9% to approximately HK\$22.9 million for the year ended 31 December 2021 from approximately HK\$27.9 million for the year ended 31 December 2020.

## **Finance costs**

Finance costs decreased by approximately 14.3% to approximately HK\$3.0 million for the year ended 31 December 2021 from approximately HK\$3.5 million for the year ended 31 December 2020. Such drop was mainly due to decrease of interest expenses on lease liabilities.

## Loss for the year

As a result of the foregoing, the loss for the year ended 31 December 2021 amounted to approximately HK\$41.0 million, compared with the loss of approximately HK\$8.2 million for the year ended 31 December 2020. The increase of loss for the year was mainly due to the significant drop of gross profit.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 December 2021, total borrowings of the Group amounted to approximately HK\$108.6 million (2020: approximately HK\$83.5 million) which included the interest bearing bank loans at floating rates, interest bearing bank loans on fixed terms and finance leases of motor vehicle and machines. As at 31 December 2021, the cash and bank balances and pledged bank deposit of the Group amounted to approximately HK\$47.6 million (2020: approximately HK\$34.9 million).

As at 31 December 2021, debt to equity ratio of the Group was 45.7% (2020: 38.9%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and lease liabilities net of pledged bank deposits and cash and bank balances, by total equity at the end of the financial year. Current ratio as at 31 December 2021 was approximately 1.0 (2020: approximately 1.0).

As at 31 December 2021, gearing ratio of the Group was 79.4% (2020: 60.0%). Gearing ratio is calculated based on total debt for the financial year divided by total equity as of the end of the financial year.

As at 31 December 2021, cash and bank balances of the Group amounted to approximately HK\$22.4 million (2020: approximately HK\$9.5 million).

As at 31 December 2021, the Group's net current liabilities amounted to approximately HK\$8.7 million (2020: net current assets approximately HK\$5.3 million).

## CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities (2020: Nil).

## CAPITAL COMMITMENTS

At the end of each reporting period, the Group had the following capital commitments:

	<b>2021</b> <b>HK\$'000</b> <b>(Unaudited)</b>	<b>2020</b> <b>HK\$'000</b> <b>(Audited)</b>
Authorised and contracted for:		
Capital contributions payable to an equity investment	<b>594</b>	594
Capital expenditure of construction in progress	<b>2,416</b>	—
	<b>3,010</b>	594

## PLEDGE OF ASSETS

As at 31 December 2021, pledged bank deposits of approximately HK\$25.3 million (2020: approximately HK\$25.5 million), property, plant and equipment with a carrying value of approximately HK\$95.1 million (2020: approximately HK\$97.4 million), right-of-use assets with a carrying value of approximately HK\$8.5 million (2020: approximately HK\$8.8 million), financial assets at fair value through profit or loss with a carrying value of approximately HK\$11.0 million (2020: approximately HK\$10.8 million) and inventories of approximately HK\$27.2 million (2020: approximately HK\$29.3 million) of the Group were pledged to secure the Group's bank borrowings.

## EXCHANGE RATE EXPOSURE

The Group mainly operates in Hong Kong, the PRC and Vietnam, and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States Dollars, Renminbi and Vietnamese Dong. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities denominated in a currency that is not the functional currency of the Group, and net investments in foreign operations.

As at 31 December 2021, the Group did not have a foreign currency hedging policy. However, the management will continue to closely monitor the Group's foreign exchange exposure and will consider hedging significant foreign currency risk should the need arise.

## SIGNIFICANT INVESTMENTS HELD

During the year ended 31 December 2021, there were financial assets at fair value through profit or loss held by the Group.

### Financial assets at fair value through profit or loss

As at 31 December 2021, the Group recorded financial assets of approximately HK\$11.7 million (2020: approximately HK\$11.4 million). The table below sets forth a breakdown of the Group's financial assets at fair value through profit or loss as at the dates indicated:

	<b>As at 31 December</b>	
	<b>2021</b>	<b>2020</b>
	<b>HK\$'000</b>	<b>HK\$'000</b>
	<b>(Unaudited)</b>	<b>(Audited)</b>
Key management personnel life insurance policies	<b>11,002</b>	10,794
Club membership	<b>686</b>	618
Total	<b>11,688</b>	11,412

The club membership represented the indefinite useful life golf club membership. The club membership, classified as financial assets at fair value through profit or loss, is stated at fair value.

The Group purchased certain life insurance policies (the “Policies”) for certain Directors in year 2010 and 2012. Under the Policies, the Company is the beneficiary and policy holder and the total insured sum is approximately US\$3.8 million (equivalent to approximately HK\$29.1 million).

The Group’s financial assets at fair value through profit or loss increased by approximately HK\$0.3 million to approximately HK\$11.7 million as at 31 December 2021 from approximately HK\$11.4 million as at 31 December 2020.

The Group has established a financial management policy, pursuant to which the Group would make investments when the management considers necessary to the Group’s operational needs. The Group generally only purchases investment products incidental to requirements from banks when the Group obtains loans. For the previous years, the Group purchased investment products primarily with guaranteed investment return from the banks that the Group intended to borrow from in order to facilitate the process of granting loans to the Group.

#### **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at the date of this announcement, the Group did not have any other plans for material investments and capital assets.

#### **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES**

During the year ended 31 December 2021, the Group did not have any material acquisitions and disposals of its subsidiaries and affiliated companies.

#### **EMPLOYEES AND EMOLUMENT POLICIES**

The Group had 963 employees (including Directors) as at 31 December 2021 (2020: 881 employees) in Hong Kong, the PRC, Taiwan, Malaysia and Vietnam. The Group places emphasis on work experience in the networking industry in hiring its research and development staff, designers, merchandising staff and quality control staff. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to its staff, including internal promotion opportunities and performance based bonus. The Group enters into standard employment contracts with its staff which contain provisions on intellectual property rights and confidentiality.



The Group also reviews the performance of the Group's staff periodically and consider the result of such review for staff's annual bonus, salary review and promotion appraisal. The Company has also adopted a share option scheme, details of which are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the prospectus of the Company dated 28 December 2017.

The Group provides different trainings to each department from time to time to enhance their industry, technical and product knowledge, as well as their familiarity with industry quality standards and work safety standards.

The remuneration committee of the Company reviews the terms of remuneration packages, bonuses and other compensation payable to the Directors and the senior management personnel of the Group from time to time. The remunerations of the Directors, senior management and employees of the Group are generally determined with reference to their duties, responsibilities and performance.

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

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2021.

## **CORPORATE GOVERNANCE PRACTICES**

The corporate governance practices of the Group are based on the principles and the code provisions as set out in the Corporate Governance Code (the "**Code**") contained in Appendix 15 of the GEM Listing Rules.

During the year ended 31 December 2021, the Company has complied with all the applicable code provisions of the Code, save and except the following:

Code Provision A.2.7 (which has been renumbered as Code Provision C.2.7 since 1 January 2022) of the Code provides that the chairman of the Board (the "**Chairman**") should at least annually hold meetings with the independent non-executive Directors without the presence of other directors. During the year ended 31 December 2021, a formal meeting could not be arranged between the Chairman and all the independent non-executive Directors without the executive Directors present due to their tight schedules. Nevertheless the Chairman could be contacted by email or phone to discuss any potential concerns and/or questions that the independent non-executive Directors might have and would arrange to set up follow-up meetings, whenever necessary.

Code Provision C.1.2 (which has been renumbered as Code Provision D.1.2 since 1 January 2022) of the Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules. Although regular monthly updates to the members of the Board were not arranged, the management provides information and updates to the members of the Board as and when appropriate. The management ensures that all members of the Board properly receives adequate, complete and reliable information in a timely manner.



Code Provision C.2.5 (which has been renumbered as Code Provision D.2.5 since 1 January 2022) of the Code provides that the issuer should have an internal audit function. Issuers without an internal audit function should review the need for one on an annual basis and should disclose the reasons for the absence of such a function in the Corporate Governance Report. The Board reviewed the need for setting up an internal audit function during the year ended 31 December 2021 and considered that there was no immediate need after taking into account the Group's current circumstances, such as the size, nature and complexity of the Group's business. It was decided that the Board would be directly responsible for the internal control of the Group and for reviewing its effectiveness.

Code Provision E.1.2 (which has been renumbered as Code Provision F.2.2 since 1 January 2022) of the Code provides that the Chairman should attend the annual general meeting (the "AGM"). However, Mr. Kim Byung Kwon, being the Chairman for the year ended 31 December 2021, was unable to attend the AGM held on 28 May 2021 due to his other business activities and unexpected engagement. Mr. Kim Byung Kwon invited Mr. Kim Jun Yeob, an executive Director to chair and answer questions from the Shareholders at the AGM.

Code Provision I.(f) (which has been renumbered as Code Provision B.(f) since 1 January 2022) of the Code provides that disclosure be made in regards to details of non-compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules and an explanation of the remedial steps taken to address non-compliance. On 9 July 2021, Mr. Shin Dongmin resigned as independent non-executive Director leaving only two independent non-executive Directors which did not meet the requirements pursuant to the above Rules. In addition, Mr. Lee Tsung Wah, Jonathan also resigned as independent nonexecutive Director with effect from 24 September 2021. Ms. Cai Peiyao and Mr. Tsang Chung Yu were appointed on 24 September 2021 to fill the casual vacancies. Ms. Cai Peiyao and Mr. Tsang Chung Yu are subject to election by the shareholders at the first general meeting after their appointment. Please refer to the Company's announcements dated 9 July 2021 and 24 September 2021 for more information.

## **COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS**

The Group has adopted the required standard of dealing set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the "**Required Standard of Dealings**"), as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries of all Directors, each of the Directors has confirmed that he/she has complied with the Required Standard of Dealings for the year ended 31 December 2021 and up to the date of this report.

## **DIVIDEND**

The Board does not recommend the payment of any dividend for the year ended 31 December 2021 (2020: nil).

## EVENTS AFTER THE REPORTING PERIOD

- (1) On 31 December 2020 (after trading hours), Zioncom (Hong Kong), an indirect whollyowned subsidiary of the Company, entered into a non-legally binding memorandum of understanding (“MOU”) with an independent third party purchaser pursuant to which Zioncom (Hong Kong) proposed to sell approximately 22.5% equity interest in Zioncom (Vietnam). As at the date hereof, Zioncom (Hong Kong) owns 72.37% of Zioncom (Vietnam). The MOU remains valid and effective until the execution of the Formal Agreement or terminated by the parties in writing. The disposal has not been completed up to the date of this annual report. On 31 December 2021 (after trading hours), Zioncom (Hong Kong) entered into a second supplemental agreement to extend the date for the fulfillment of waiver of the condition precedent of the MOU to 31 March 2022. Please refer to the announcements of the Company dated 31 December 2020, 1 February 2021, 12 August 2021, 29 October 2021 and 31 December 2021 for more information.
- (2) Subsequent to the end of reporting period, the account value from life insurance policy has been terminated, its account value is utilised to set off against the outstanding bank borrowings amounted to HK\$6,445,000 on 8 February 2022. The remaining Account Value, net of surrender charges amounting to HK\$3,367,000 from this life insurance policy has been received in cash on 11 February 2022. In addition, the Group has early repaid the bank borrowings amounted to HK\$4,001,000 on 11 January 2022.
- (3) The Board proposed to raise up to approximately HK\$23.1 million on the basis of one (1) rights share for every two (2) shares held on the record date by issuing 330,000,000 rights shares at the subscription price of HK\$0.07 per rights share (assuming no further issue of new share(s) and no repurchase of share(s) by the Company on or before the record date) (the “Rights Issue”). The Rights Issue is only available to the qualifying shareholders and will not be extended to the excluded shareholder(s) (if any).

The estimated net proceeds (after the deduction of the costs and expenses relating to the Rights Issue) will be approximately HK\$21.6 million (assuming no further issue of new share(s) and no repurchase of share(s) by the Company on or before the record date), if fully subscribed. The Company intends to apply the net proceeds from the Rights Issue for the (i) repayment of part of current debts and loans of the Group; and (ii) general working capital of the Group.

On 28 February 2022 (after trading hours), the Company and the placing agent, Suncorp Securities Limited (the “Placing Agent”) entered into the placing agreement, pursuant to which the Placing Agent has conditionally agreed to procure placee(s), on a best effort basis, to subscribe for the unsubscribed rights shares and the excluded shareholders’ unsold rights shares.

As additional time is required by the Company to prepare and finalise certain information for inclusion in the prospectus in relation to the Rights Issue, the despatch date of the prospectus documents is expected to be postponed and the expected timetable for the Rights Issue will be revised. Please see the announcements of the Company dated 28 February 2022 and 9 March 2022 for more information.

Save as disclosed herein, no subsequent events occurred after 31 December 2021 and up to the date of this announcement, which may have a significant effect on the assets and liabilities or future operation of the Group.

## **SUPPLEMENTAL INFORMATION**

### **Disposal of 21.37% equity interests in a Subsidiary**

After trading hours on 12 August 2021, Zioncom (Hong Kong) Technology Limited (the “**Vendor**”), an indirect wholly-owned subsidiary of the Company, entered into a disposal agreement (the “**Disposal Agreement**”) with Evergo Technology PTE. Limited (the “**Purchaser**”), an independent third party, pursuant to which the Vendor agreed to sell and the Purchaser agreed to purchase the shares of Công Ty Cổ Phần Zioncom (Vietnam) (Zioncom (Vietnam) JSC) (the “**Target Company**”), an indirect non-wholly owned subsidiary of the Company, representing approximately 21.37% of the equity interests in the Target Company, at the consideration of US\$2,000,000 (equivalent to approximately HK\$15,500,000).

Upon Completion, the Vendor will hold 51% of the equity interests in the Target Company.

According to the three supplemental agreements dated 29 October 2021, 31 December 2021 and 31 March 2022, the date for the fulfilment or waiver of the conditions precedent of the disposal under the Disposal Agreement was extended to 15 May 2022.

Please refer to the announcements of the Company dated 12 August 2021, 29 October 2021, 31 December 2021 and 31 March 2022 for more information.

### **Change of Directors**

On 14 January 2022, Mr. Kim Byung Kwon resigned as executive Director and chairman of the Board. Mr. Kim Jun Yeob, an executive Director was appointed as chairman of the Board and Mr. Cheng Kwan Yu was appointed as executive Director following Mr. Kim Byung Kwon’s resignation. In addition, Mr. Kwong Chun Man resigned as independent non-executive Director and Ms. Sin Pui Ying was appointed to fill the casual vacancy. Mr. Cheng Kwan Yu and Ms. Sin Pui Ying are subject to election by the shareholders at the first general meeting after their appointment. Please refer to the Company’s announcement dated 14 January 2022 for more information.

### **Removal of Directors**

On 31 March 2022, Mr. Zhao Xiuming and Ms. Cai Peiyao were removed as executive Director and independent non-executive Director, respectively, in accordance with article 105(h) of the Amended and Restated Memorandum and Articles of Association of the Company. Please refer to the announcement of the Company dated 31 March 2022 for more information.

### **COVID-19 coronavirus lockdown in Shenzhen, PRC**

In mid-March 2022, Shenzhen City in the PRC was under mandatory lockdown by the Chinese government, along with our offices and factories in Shenzhen, as part of their regime to suppress the rising COVID-19 cases (the “**Lockdown**”), which has affected the audit work for the audited annual results of the Group for the year ended 31 December 2021.

## AUDIT COMMITTEE

The Company established the audit committee of the Company (the “**Audit Committee**”) with effect from 18 January 2018 with written terms of reference (as amended and adopted by the Company pursuant to the Board resolution passed on 31 December 2018) in compliance with the code provisions of the Code. The primary duties of the Audit Committee are, among others, to make recommendations to the Board on the appointment, re-appointment and removal of external auditors; review and supervise the Group’s financial reporting process and internal control system and to provide advice and comments to the Board.

## REVIEW OF UNAUDITED ANNUAL RESULTS

The unaudited annual results announcement of the Group for the year ended 31 December 2021 have been reviewed by the Audit Committee in a meeting held on 31 March 2022. The auditing process for the annual results for the year ended 31 December 2021 has not been completed due to the Lockdown. The unaudited annual results contained herein have not been agreed with the Company’s auditors. An announcement relating to the audited annual results will be made when the auditing process has been completed in accordance with Hong Kong Standard on Auditing issued by the HKICPA.

The Company will despatch the audited annual results and report as soon as practicable, which is currently expected to be on or before Thursday, 14 April 2022. The Company shall keep the market informed of the expected publication date of its audited annual results and report along with other updates as appropriate.

*By order of the Board*  
**Zioncom Holdings Limited**  
**Kim Jun Yeob**  
*Chairman*

Hong Kong, 31 March 2022

*As at the date of this announcement, the executive Directors are Mr. Kim Jun Yeob, Mr. Koo Ja Chun, Mr. Xiao Jingen and Mr. Cheng Kwan Yu; and the independent non-executive Directors are Ms. Sin Pui Ying and Mr. Tsang Chung Yu.*

*This announcement will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the “Latest Listed Company Information” page for at least 7 days from the date of its posting and on the website of the Company at [www.zioncom.net](http://www.zioncom.net).*