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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)

FIRST QUARTERLY RESULTS ANNOUNCEMENT FOR THE THREE MONTHS ENDED 31 MARCH 2022

The board (the “**Board**”) of directors (the “**Directors**”) of Zioncom Holdings Limited (the “**Company**”) is pleased to announce the unaudited condensed consolidated financial results of the Company and its subsidiaries for the three months ended 31 March 2022 (the “**Period**”).

This announcement, containing the full text of the first quarterly report of the Company, complies with the relevant requirements of the Rules Governing the Listing of Securities on the GEM of The Stock Exchange of Hong Kong Limited (the “**GEM Listing Rules**”) in relation to information to accompany preliminary announcement of first quarterly results for the Period. Printed version of the first quarterly report of the Company containing the information required by the GEM Listing Rules will be dispatched to the shareholders of the Company and available for viewing on the GEM website at the www.hkgem.com on the “Latest Listed Company Announcements” page and on the Company’s website at www.zioncom.net.

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

Hong Kong, 13 May 2022

As at the date of this announcement, the executive Directors of the Company 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, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with 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.

This announcement will remain on the GEM website at 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.



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FIRST QUARTERLY REPORT

2022



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.

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, 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 report.

This report, 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 the 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 report 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 report misleading.

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

The board of Directors (the “**Board**”) of the Company presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months ended 31 March 2022, together with the unaudited comparative figures for the same corresponding period in 2021.

		For the three months ended 31 March	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Revenue			
Cost of sales	3	96,488 (81,571)	183,651 (163,283)
Gross profit		14,917	20,368
Other income		1,886	934
Change in fair value of financial assets at fair value through profit or loss		–	53
Selling and distribution expenses		(4,823)	(4,881)
Administrative expenses		(13,418)	(12,858)
Research and development expenses		(7,567)	(6,563)
Loss from operations		(9,005)	(2,947)
Finance costs	4	(388)	(634)
Loss before taxation		(9,393)	(3,581)
Taxation	5	–	(59)
Loss for the period		(9,393)	(3,640)
Other comprehensive loss			
Items that will not reclassified to profit or loss:			
Surplus on revaluation of properties		–	(3)
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating of foreign operation		(2,201)	(2,445)

		For the three months ended 31 March	
	Notes	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Other comprehensive loss for the period		(2,201)	(2,448)
Total comprehensive loss for the period		(11,593)	(6,088)
Loss for the period attributable to:			
Owners of the Company		(10,637)	(4,972)
Non-controlling interest		1,244	1,332
		(9,393)	(3,640)
Total comprehensive loss attributable to:			
Owners of the Company		(12,837)	(7,146)
Non-controlling interest		1,244	1,058
		(11,593)	(6,088)
Loss per share attributable to the owners of the Company			
Basic and diluted (HK cents)	7	(1.61)	(0.75)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interest		Total
	Share capital	Share premium	Other reserve	Surplus reserve	Exchange reserve	Revaluation Surplus reserve	Retained earnings	Sub-total		HK\$'000
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	Unaudited
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
At 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 period	-	-	-	-	-	-	(4,972)	(4,972)	1,332	(3,640)
Other comprehensive loss for the period	-	-	-	-	(2,171)	(3)	-	(2,174)	(274)	(2,448)
(Loss)/profit and total comprehensive (loss)/income for the period	-	-	-	-	(2,171)	(3)	(4,972)	(7,146)	1,058	(6,088)
Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2021	6,600	58,924	39,551	5,873	(4,275)	26,218	14,378	147,269	12,731	160,000
At 1 January 2022	6,600	58,924	39,551	5,922	11,403	29,053	(28,032)	123,421	16,412	139,833
(Loss)/profit for the period	-	-	-	-	-	-	(10,637)	(10,637)	1,244	(9,393)
Other comprehensive loss for the period	-	-	-	(98)	(2,103)	-	-	(2,201)	-	(2,201)
(Loss)/profit and total comprehensive (loss)/income for the period	-	-	-	(98)	(2,103)	-	(10,637)	(12,838)	1,244	(11,594)
Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-
Balance at 31 March 2022	6,600	58,924	39,551	5,824	9,300	29,053	(38,669)	110,583	17,656	(128,239)

Notes:

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 at Office A, 9/F Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories, Hong Kong.

2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results for the three months ended 31 March 2022 have been prepared in accordance with the applicable disclosure requirements set out in Chapter 18 of the GEM Listing Rules and Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The HKICPA has issued a number of amendments to HKFRSs which are effective for the current accounting period of the Group. None of those developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

The accounting policies adopted in preparing the unaudited condensed consolidated financial statements for the three months ended 31 March 2022 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2021.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 have not been audited by the Company's auditors but have been reviewed by the audit committee of the Company.

3. REVENUE

The principal activities of the Group are manufacturing and sales of networking products and non-networking products.

4. FINANCE COSTS

Interest expenses on bank borrowings wholly repayable within five years
Interest expenses on lease liabilities

For the three months ended 31 March

2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
256	381
132	253
388	634

5. TAXATION

Current taxation:
Provision for the period
– Hong Kong Profits Tax
– Other than Hong Kong

For the three months ended 31 March

2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
–	–
–	59
–	59

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the period ended 31 March 2022 and 2021. No provision of Hong Kong profits tax has been provided as it did not have any assessable profit during the three months ended 31 March 2022 and 2021.

In 2015, 吉翁電子(深圳)有限公司 was a 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 for three years starting from year ended 31 December 2015 and renewed on 16 October 2018, according to the New PRC Enterprise Income Tax Law. No provision of PRC enterprise income tax had been recognised, as it did not have any assessable profit for the three months end 31 March 2022.

Taiwan Corporate Income Tax is calculated at 17% of the estimated assessable profit for the three months ended 31 March 2022 and 2021.

Vietnam Corporate Income Tax is calculated at 20% of the estimated assessable profit for the three months ended 31 March 2022 and 2021. No provision of profits tax for the subsidiary in Vietnam as it did not have any assessable profit for the three months ended 31 March 2022 and 2021.

Malaysia Corporate Income Tax is calculated at 17% for the first MYD600,000 and 24% for remaining estimated assessable profit for the period ended 31 March 2022 and 2021. No provision of Corporate Income Tax for the subsidiary in Malaysia has been recognised as it did not have any assessable profit for the three months ended 31 March 2022 and 2021.

No provision for taxation has been recognised for companies incorporated in the Cayman Islands and the British Virgin Islands as they are not subject to any tax during the three months ended 31 March 2022 and 2021.

6. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2022 (2021: Nil).

7. LOSS PER SHARE

The calculation of basic loss per share for the three months ended 31 March 2022 is calculated by dividing unaudited loss attributable to the owners of the Company for the three months ended 31 March 2022 over the weighted average number of ordinary shares in issue during the three months ended 31 March 2022.

Diluted earnings per share were same as the basic earnings per share as there were no potential dilutive ordinary shares in existence during the three months ended 31 March 2022 and 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

Business Review

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 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 their distributors. The revenues contributed from the Group's Taiwan and Vietnam operations were approximately HK\$10.7 million and HK\$15.9 million, respectively, for the three months ended 31 March 2022, which in aggregate contributed approximately 27.56% of the Group's revenue. The Group is looking forward to growth in the Asia-Pacific market including Vietnam and Taiwan in the coming years.

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 increasing the Group's growth in the emerging markets in Asia and other markets with good potential, increasing the Group production capacity and broadening its product offerings, enhancing the Group's 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

For the three months ended 31 March 2022, the Group recorded revenue of approximately HK\$96.5 million, representing a decrease of approximately 47.5% as compared with approximately HK\$183.7 million for the three months ended 31 March 2021.

The decrease was mainly due to the impact of the COVID-19 pandemic compared to the last period.

Cost of sales and gross profit

During the three months ended 31 March 2022, the Group's gross profit decreased by approximately 27.0% from approximately HK\$20.4 million for the three months ended 31 March 2021 to approximately HK\$14.9 million for the three months ended 31 March 2022. The Group's cost of sales comprises costs of materials, direct labour, manufacturing overhead, subcontracting services fee and other overhead. The cost of sales decreased by approximately 50.0% from approximately HK\$163.3 million for the three months ended 31 March 2021 to approximately HK\$81.6 million for the three months ended 31 March 2022. The decrease was mainly due to the decrease in sales volume.

The gross profit margin increased from approximately 11.1% for the three months ended 31 March 2021 to approximately 15.5% for the three months ended 31 March 2022. The increased was mainly due to markup to selling price.

Selling and distribution expenses

Selling and distribution expenses decreased by approximately 2.0% from approximately HK\$4.9 million for the three months ended 31 March 2021 to approximately HK\$4.8 million for the three months ended 31 March 2022. The selling and distribution expenses remain stable.

Administrative expenses

Administrative expenses increased by approximately 3.9% from approximately HK\$12.9 million for the three months ended 31 March 2021 to approximately HK\$13.4 million for the three months ended 31 March 2022, which was mainly due to the aggregate increase of the staff costs and staff welfare expenses.

Research and development expenses

Research and development expenses increased by approximately 15.2% from approximately HK\$6.6 million for the three months ended 31 March 2021 to approximately HK\$7.6 million for the three months ended 31 March 2022, which was mainly due to the increase in personnel related expenses.

Finance costs

Finance costs decreased by approximately 33.3% from approximately HK\$0.6 million for the three months ended 31 March 2021 to approximately HK\$0.4 million for the three months ended 31 March 2022, which was mainly due to the decrease of interest expenses on bank borrowings.

Loss for the period

As a result of the foregoing, the loss for the three months ended 31 March 2022 amounted to approximately HK\$9.4 million, comparing with the loss of approximately HK\$3.6 million for the three months ended 31 March 2021.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 31 March 2022, total borrowings of the Group amounted to approximately HK\$99.2 million (31 December 2021: approximately HK\$108.6 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 March 2022, the cash and bank balances and pledged bank deposit of the Group amounted to approximately HK\$31.6 million (31 December 2021: approximately HK\$47.7 million).

As at 31 March 2022, debt to equity ratio of the Group was 54.8% (31 December 2021: 46.1%). 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 March 2022 was approximately 1.0 (31 December 2021: approximately 1.0).

As at 31 March 2022, gearing ratio of the Group was 79.4% (31 December 2021: 80.2%). 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 March 2022, cash and bank balances of the Group amounted to approximately HK\$5.4 million (31 December 2021: approximately HK\$22.4 million).

As at 31 March 2022, the Group's net current liabilities amounted to approximately HK\$8.3 million (31 December 2021: net current liabilities approximately HK\$10.1 million).

CONTINGENT LIABILITIES

As at 31 March 2022, the Group did not have any significant contingent liabilities (2021: nil).

PLEDGE OF ASSETS

As at 31 March 2022, pledged bank deposits of approximately HK\$26.2 million (2021: approximately HK\$25.3 million), property, plant and equipment with a carrying value of approximately HK\$98.3 million (2021: approximately HK\$95.1 million), right-of-use assets with a carrying value of approximately HK\$3.1 million (2021: HK\$8.5 million), financial assets at fair value through profit or loss with a carrying value of approximately HK\$0.2 million (2021: approximately HK\$11.0 million) and inventories of approximately HK\$30.3 million (2021: HK\$27.2 million) of the Group were pledged to secure the Group's bank borrowings.

SIGNIFICANT INVESTMENTS HELD

During the three months ended 31 March 2022, there were financial assets at fair value through profit or loss held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at the date of this report, 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 three months ended 31 March 2022, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies.

EMPLOYEES INFORMATION

The Group had 865 employees (including Directors) as at 31 March 2022 (2021: 962 employees) in Hong Kong, the PRC, Taiwan, Malaysia and Vietnam.

The Group 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 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 Company's prospectus dated 28 December 2017 (the "**Prospectus**").

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the date of this report, none of the Directors or chief executive of the Company had any interests and short positions in the shares of the Company (the "**Shares**"), underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at the date of this report, the interests and short positions of the substantial shareholders of the Company (other than the Directors and the chief executives of the Company) in the Shares and underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register to therein, were as follows:

Name of substantial shareholders	Long/short position	Capacity	Number of Shares held	Percentage of issued share capital
Absolute Skill Holdings Limited (" Absolute Skill ")	Long position	Beneficial owner	296,980,000	44.997%
Ms. Siu Xiaohu (Note)	Long position	Interest in controlled corporation	296,980,000	44.997%

Note: Ms. Siu Xiaohu held 100% interest in Absolute Skill. By virtue of the SFO, Ms. Siu Xiaohu is deemed to be interested in these 296,980,000 shares which Absolute Skill has beneficial interest in.

Save as disclosed above, as at the date of this report, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange 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.

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 18 December 2017. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 23 of the GEM Listing Rules and the principal terms are summarised in the 2020 annual report of the Company.

No share option had been granted since the adoption of the Share Option Scheme up to the date of this report and there was no share option outstanding as at 31 March 2022.

Further particulars of the Share Option Scheme are set out in the section headed “Statutory and General Information – D. Share Option Scheme” in Appendix IV to the Prospectus.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this report, at no time during the three months ended 31 March 2022 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS’ INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There had been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the three months ended 31 March 2022.

DIRECTORS’ AND CONTROLLING SHAREHOLDER’S INTERESTS IN COMPETING BUSINESS

For the three months ended 31 March 2022, none of the Directors or the controlling shareholder or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

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 three months ended 31 March 2022.

CONNECTED TRANSACTIONS

During the three months ended 31 March 2022, the Company had not entered into any connected transaction which is subject to the disclosure requirements under the GEM Listing Rules.

CORPORATE GOVERNANCE PRACTICES

During the three months ended 31 March 2022, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "**Code**") in Appendix 15 of the GEM Listing Rules, except for the deviation as stated below:

Code Provision D.1.2 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 receive adequate, complete and reliable information in a timely manner.

Code Provision B.(f) 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 31 March 2022, Mr. Zhao Xiuming was removed as executive Director pursuant to Article 105(h) of the Articles of Association of the Company (the "**Articles**"). In addition, Ms. Cai Peiyao was removed as independent non-executive Director, pursuant to Article 105(h) of the Articles, leaving only two independent non-executive Directors which did not meet the requirements pursuant to the above Rules. Please refer to the Company's announcements dated 31 March 2022 and 4 April 2022 for more information.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float under the GEM Listing Rules for the three months ended 31 March 2022 and up to the latest practicable date prior to the issue of this report.

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

The Group has adopted the required standard of dealings set out in Rules 5.46 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 the Directors, each of the Directors has confirmed that he/she has complied with the Required Standard of Dealings for the three months ended 31 March 2022 and up to the date of this report.

DIVIDENDS

The Board does not recommend the payment of any dividend for the three months ended 31 March 2022 (2021: Nil).

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed below, no subsequent events occurred after 31 March 2022 and up to the date of this report, which may have a significant effect on the assets and liabilities or future operation of the Group.

Petition and Summons

On 13 April 2022, the Company received a petition dated 12 April 2022 (the “**Petition**”) filed by Absolute Skill (the “**Petitioner**”), the controlling shareholder of the Company in the Court of First Instance of the High Court of Hong Kong, against the Company and each of its Directors. According to the Petition, the Petitioner claimed, inter alia, to remove all the directors of the Board and to terminate the rights issue.

On 20 April 2022, the Company received a summons dated 19 April 2022 (the “**Summons**”) related to the Petition filed by the Petitioner, in the Court of First Instance of the High Court of Hong Kong, against the Company and each of its Directors. According to the Summons, the Petitioner claim for, inter alia, that the Directors be restrained from (i) convening the Company’s EGM; (ii) preventing the convening of the Petitioner’s meeting; and (iii) proceeding with the rights issue.

The Summons application was dismissed on 22 April 2022 with costs to be borne by the Petitioner.

On 6 May 2022, the Company received a 2nd summons dated 4 May 2022 (the “**2nd Summons**”) related to the Petition and Summons filed by the Petitioner, in the Court of First Instance of the High Court of Hong Kong, against the Company and each of its Directors. According to the 2nd Summons, the Petitioner claim for, inter alia, that the Directors be restrained from (i) acting or holding out as directors of the Company; (ii) inhibiting Mr. Ng Thiam Chye (alias Huang Tiancai) and Mr. Wang Yow Hsiong from acting or holding out as directors of the Company; and (iii) proceeding with the rights issue.

Please refer to the announcements of the Company dated 19 April 2022, 20 April 2022, 21 April 2022, 22 April 2022 and 10 May 2022 for more information.

SUPPLEMENTAL INFORMATION

Requisition to convene an extraordinary general meeting (“EGM”)

The Board received a letter dated 14 January 2022 from a person who is an alleged representative of Absolute Skill, the substantial shareholder of the Company, purporting to be a written requisition to the Company to convene an EGM. The Board also received another letter dated 15 March 2022 from Absolute Skill purporting to be a written requisition to the Company to convene a meeting (the “**March Letter**”) to, amongst other ordinary resolutions, remove all the Directors of the Board.

In order to avoid any confusion among shareholders and disputes over the legitimacy of the EGM, the Company published a circular dated 12 April 2022 to convene an EGM with ordinary resolutions substantially the same as those in the March Letter.

The poll results of the Company’s EGM were published on 29 April 2022.

Please refer to the announcements of the Company dated 23 March 2022, 4 April 2022, 12 April 2022, 13 April 2022, 14 April 2022, 21 April 2022 and 29 April 2022 and the circular of the Company dated 12 April 2022 for more information.

Appointment and Resignation of Non-Executive Directors

With effect from 28 April 2022 after trading hours, Ms. Wong Ngar Lai (“**Ms. Wong**”) and Mr. Pang Kam Wing (“**Mr. Pang**”) had been appointed as non-executive Directors for the purposes of the Company’s EGM. Ms. Wong and Mr. Pang tendered their resignations after the EGM was held.

Please refer to the announcements of the Company dated 28 April 2022, 29 April 2022 and 11 May 2022 for more information.

Inside Information

On 28 April 2022 after trading hours, the Company was informed by different parties complaining against the substantial shareholder of the Company, Absolute Skill being not the legal and true beneficial owner of the shares of the Company. Absolute Skill is allegedly involved in unlawful fund-raising activities cross-border and a scam to defraud the public to obtain its existing shareholding in the Company.

Please refer to the announcements of the Company dated 28 April 2022 and 29 April 2022 for more information.

AUDIT COMMITTEE

The Company established 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 to make recommendations to the Board on the appointment, re-appointment and removal of external auditors, to review and supervise the Group's financial reporting process and internal control system, and to provide advice and comments to the Board.

The Audit Committee has reviewed the accounting principles and policies adopted by the Group and the unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2022 on 13 May 2022 and is of the opinion that such statements complied with applicable standards, the GEM Listing Rules and that adequate disclosure had been made.

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

Hong Kong, 13 May 2022

As at the date of this report, 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 report will remain on the GEM website at 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.