



ZIONCOM

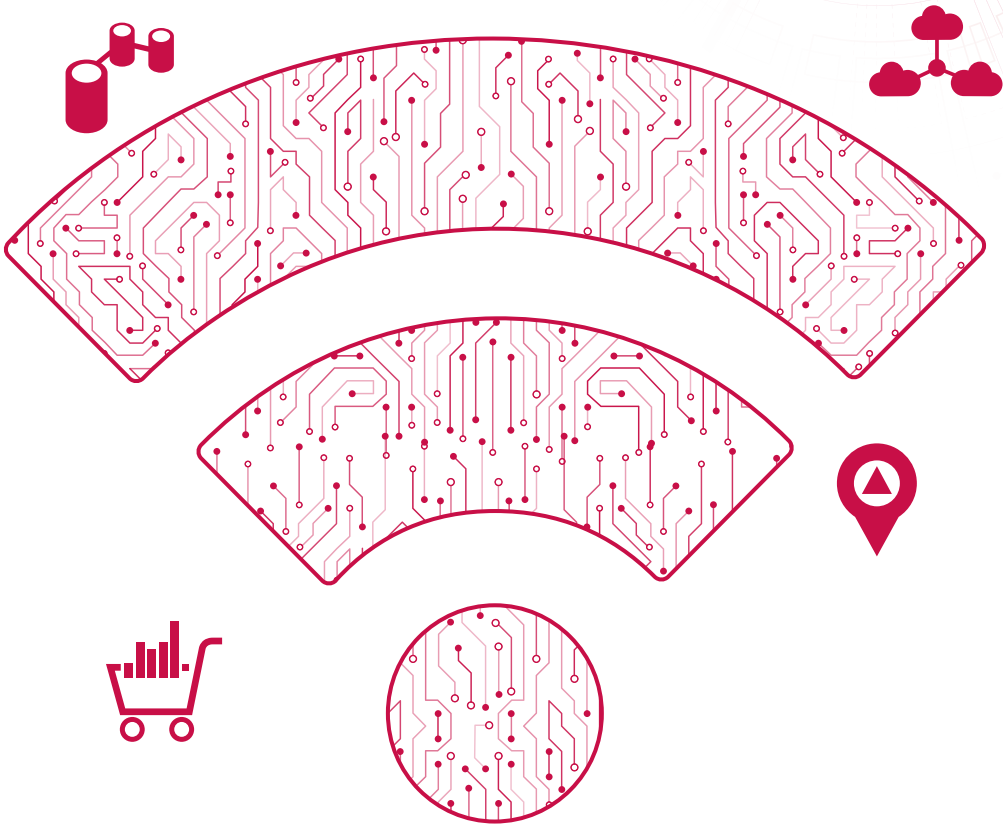
Zioncom Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8287

FIRST QUARTERLY REPORT

2019



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

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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 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 (the “**Board**”) of Directors 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 2019, together with the unaudited comparative figures for the same corresponding period in 2018.

		For the three months ended 31 March	
		2019	2018
		HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)
Notes			
Revenue	4	167,089	154,775
Cost of sales		(146,318)	(132,235)
Gross profit		20,771	22,540
Other income		5,602	1,533
Selling and distribution expenses		(4,197)	(2,784)
Administrative expenses		(13,434)	(11,603)
Research and development expenses		(6,581)	(5,965)
Profit from operations		2,161	3,721
Finance costs	5	(1,202)	(1,063)
Profit before taxation		959	2,658
Taxation	6	(534)	(1,044)
Profit for the period		425	1,614
Other comprehensive income/(loss)			
Items that will not reclassified to profit or loss:			
Surplus on revaluation of properties		–	711
Deferred tax liabilities arising from revaluation of properties		–	(239)
		–	472
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating of foreign operation		3,100	3,859
Loss arising from changes in fair value of available-for-sale financial assets		–	(152)
		3,100	3,707

		For the three months ended 31 March	
	Note	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other comprehensive income for the period		3,100	4,179
Total comprehensive income for the period		3,525	5,793
Profit for the period attributable to the owners of the Company		425	1,614
Total comprehensive income attributable to owners of the Company		3,525	5,793
Earnings per share attributable to the owners of the Company			
Basic and diluted (HK cents)	8	0.06	0.26

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Share capital	Share premium	Other reserve	Surplus reserve	Exchange reserve	Revaluation Surplus reserve	Available-for-sales financial assets reserve	Retained Earnings	Sub-total	Non-controlling interest	Total
	HK\$'000 Unaudited (Note a)	HK\$'000 Unaudited (Note a)	HK\$'000 Unaudited (Note b)	HK\$'000 Unaudited (Note c)	HK\$'000 Unaudited (Note d)	HK\$'000 Unaudited (Note e)	HK\$'000 Unaudited (Note f)	HK\$'000 Unaudited	HK\$'000 Unaudited	HK\$'000 Unaudited (Note g)	HK\$'000 Unaudited
At 1 January 2018	9	-	31,992	2,279	7,043	18,726	66	82,933	143,048	-	143,048
Profit for the period	-	-	-	-	-	-	-	1,614	1,614	-	1,614
Other comprehensive income for the period	-	-	-	-	3,859	472	(152)	-	4,179	-	4,179
Profit and total comprehensive income for the period	-	-	-	-	3,859	472	(152)	1,614	5,793	-	5,793
Capitalisation issue	4,611	(4,611)	-	-	-	-	-	-	-	-	-
Placing and public offer of shares upon the listing date on 18 January 2018	1,980	83,160	-	-	-	-	-	-	85,140	-	85,140
Expenses in connection with the issue of shares	-	(19,625)	-	-	-	-	-	-	(19,625)	-	(19,625)
At 31 March 2018	6,600	58,924	31,992	2,279	10,902	19,198	(86)	84,547	214,356	-	214,356
At 1 January 2019	6,600	58,924	31,992	2,959	238	21,345	-	59,239	181,297	-	181,297
Profit for the period	-	-	-	-	-	-	-	425	425	-	425
Other comprehensive income for the period	-	-	-	-	3,100	-	-	-	3,100	-	3,100
Profit and total comprehensive income for the period	-	-	-	-	3,100	-	-	425	3,525	-	3,525
Transfer to surplus reserve	-	-	-	303	-	-	-	(303)	-	-	-
Deemed disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	16,420	16,420
At 31 March 2019	6,600	58,924	31,992	3,262	3,338	21,345	-	59,361	184,822	16,420	201,242

Notes:

- (a) On 18 January 2018, the Company issued new shares through the placing of 138,600,000 ordinary shares of HK\$0.01 each and the public offer of 59,400,000 ordinary shares of HK\$0.01 each at the price of HK\$0.43 per share.

Conditional upon the share premium account of the Company being credited as a result of the allotment and issue of the offer Shares pursuant to the Share Offer, our Directors were authorised to capitalise an amount of HK\$4,611,420 from the share premium account of the Company by applying such sum towards the paying up in full at par a total of 461,142,000 additional Shares for allotment and issue to the existing shareholders on the register of members of the Company immediately prior to the Listing as at 18 January 2018, credit as fully paid and on a pro rata and *pari passu* basis.

- (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.
- (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.
- (f) Available-for-sale financial assets reserve represents cumulative net change in the fair value of available-for sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to the profit or loss when those investments have been disposed of or are determined to be impaired.
- (g) On 27 February 2019, Zioncom (Hong Kong) Technology Limited ("**Zioncom Hong Kong**"), an indirect wholly owned subsidiary of the Company, entered into the capital contribution agreement ("**Agreement**") with two investors (the "**Investors**") in relation to the capital injection ("**Capital Injection**") of the aggregate amount of US\$2,100,000 in Zioncom (Vietnam) Co., Ltd ("**Zioncom Vietnam**"). As the completion of the Capital Injection took place on 20 March 2019, the charter capital of Zioncom Vietnam had been increased from US\$5,500,000 to US\$7,600,000. The full amount of the Capital Injection had been contributed in the form of cash by the Investors. On 20 March 2019 completion of the Capital Injection took place pursuant to the Agreement and Zioncom Hong Kong and the Investors hold 72.37%, 19.74% and 7.89% of the equity interest in Zioncom Vietnam, respectively, and Zioncom Vietnam became a non wholly-owned subsidiary of the Company. Details of the above transaction are disclosed in the announcement of the Company dated 27 February 2019.

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 P.O. Box 1350, Clifton House, 75 Fort Street, 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 immediate and ultimate holding company is Lincats (BVI) Limited, a company incorporated in the British Virgin Islands ("**BVI**"). Lincats (BVI) Limited is controlled by Mr. Kim Byung Kwon. Lincats (BVI) Limited and Mr. Kim Byung Kwon are referred to as the controlling shareholders ("**Controlling Shareholders**").

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 shares of the Company (the "**Shares**") have been listed on GEM of The Stock Exchange by way of placing and public offer (collectively the "**Share Offer**") on 18 January 2018 (the "**Listing Date**").

On the Listing Date, a total of 198,000,000 new Shares with nominal value of HK\$0.01 each were offered under the Share Offer, of which 138,600,000 Shares, or 70% was offered by way of placing and the remaining 30%, or 59,400,000 Shares, was offered under the public offer. Based on the final offer price of HK\$0.43 per share, the gross proceeds was approximately HK\$85,140,000. The net proceeds received by the Company from the Share Offer, after deduction of the underwriting commission and related expenses in connection with the Share Offer, was approximately HK\$42,475,000.

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

2. REORGANISATION

In connection with the listing of the Shares on GEM of the Stock Exchange, the Company underwent a reorganisation (the "**Reorganisation**").

Pursuant to the Reorganisation as fully explained in "History, Development and Reorganisation – Reorganisation" of the Prospectus of the company dated 28 December 2017 (the "**Prospectus**"), the company became the holding company of the companies now comprising the Group on 3 March 2017. The Companies now comprising the Group were under the common control of Mr. Kim Byung Kwon before and after the Reorganisation. Accordingly, the consolidated financial statements has been prepared on the basis by applying the principles of merger accounting as if the Reorganisation has been completed at the beginning of the reporting period.

The unaudited condensed consolidated financial statements of the companies now comprising the Group have been prepared as if the current group structure upon completion of the Reorganisation had been in existence throughout the reporting period or since their respective date of incorporation, where there is a shorter period.

All intra-group transactions and balances have been eliminated on combination.

3. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results for the three months ended 31 March 2019 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 2019 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2018.

The unaudited condensed consolidated financial statements of the Group for the three months ended 31 March 2019 have not been audited by the Company's auditors but have been reviewed by the audit committee of the Company.

4. REVENUE

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

5. FINANCE COSTS

Interest expenses on bank borrowings wholly repayable within five years
Interest expenses on obligations under finance leases

For the three months ended 31 March	
2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
982	998
220	65
1,202	1,063

6. TAXATION

	For the three months ended 31 March	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current taxation:		
Provision for the period		
– Hong Kong Profits Tax	–	1,153
– Other than Hong Kong	534	–
Over-provision in prior years	–	(109)
	534	1,044

Hong Kong Profits Tax was calculated at 16.5% of the estimated assessable profit for the periods ended 31 March 2019.

吉翁電子(深圳)有限公司, a subsidiary of the Company, 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 months ended 31 March 2019 and 2018, according to the New PRC Enterprise Income Tax Law.

Taiwan Corporate Income Tax is calculated at 17% of the estimated assessable profit for the three months ended 31 March 2019 and 2018.

Vietnam Corporate Income Tax is calculated at 20% of the estimated assessable profit for the three months ended 31 March 2019 and 2018. No provision of Profits Tax for the subsidiary in Vietnam as no assessable profit for the three months ended 31 March 2019 and 2018.

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 three months ended 31 March 2019 and 2018.

7. DIVIDEND

The Board does not recommend the payment of any dividend for the three months ended 31 March 2019 (2018: Nil).

8. EARNINGS PER SHARE

The calculation of basic earnings per share for the three months ended 31 March 2019 is based on the profit attributable to the owners of the Company for the three months ended 31 March 2019 of approximately HK\$425,000 and 660,000,000 weighted average number of ordinary shares in issue during the three months ended 31 March 2019.

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 2019 and 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

On 18 January 2018, the success of listing (the “**Listing**”) of the Company’s shares on GEM of The Stock Exchange of Hong Kong Limited was an important milestone for the Group, improving its capital strength and increasing the Group’s resources for market penetration, production capacity and research and development.

The Group sold its branded products mainly on a wholesale basis through its distributors covering over 40 countries and regions including Korea, the PRC, Vietnam, Hong Kong, Thailand and Brazil. In addition, the Group has subsidiaries in Taiwan and Vietnam with strong sales team working closely with their distributors. The revenue contributed from the Group’s Taiwan and Vietnam operations were approximately HK\$7.6 million and HK\$30.9 million, respectively, for the three months ended 31 March 2019, which in aggregate contributed approximately 23.0% 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.

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 and broadening its product offerings, enhancing the Group’s overall competitiveness and market share.

We expect the global markets to be full of challenges in the near future with the irksome development of the trade war between the United States and the PRC as the United States government may again impose large tariffs on PRC products. On 6 July 2018, the United States imposed 25% tariffs on US\$34 billion worth of PRC goods as part of the United States government’s tariffs policy. In turn, the PRC responded with similarly sized tariffs on United States’ products. On 24 September 2018, the United States government imposed 10% tariffs on approximately US\$200 billion worth of PRC goods and plans to further increase the rate to 25% if trade talks between the United States and the PRC fails. In return, the PRC responded with tariffs on US\$60 billion of United States’ goods. This escalating tit for tat and the accompanying rhetoric between the two parties encompasses the trade war. Both sides have recently agreed to a truce and resumed trade negotiations but it is unclear if and when a trade deal can be achieved. An amicable resolution remains elusive, and the lasting impacts of any trade war on the PRC economy remain uncertain.

Due to these reasons, the Group will continue to adopt and maintain a conservative but proactive investment approach so as to bring better returns for its shareholders. As tariffs are imposed, companies with manufacturing lines outside the PRC will gain an advantage over product prices. As the Group has production lines in Vietnam, the Group has the capacity to shift the production activities from the PRC to Vietnam and may be able to avoid such heavy tariffs. Hence, the Group is expecting increasing demands of its products in the future under such circumstances.

FINANCIAL REVIEW

For the three months ended 31 March 2019, the Group recorded revenue of approximately HK\$167.1 million, representing an increase of approximately 8.0% comparing with that of approximately HK\$154.8 million for the three months ended 31 March 2018.

The increase was mainly due to the increase of orders from Taiwan and Vietnam customers during the three months ended 31 March 2019. The Group will continue to put more resources to expand the emerging markets in Asia and other markets with good potential in order to enhance the Group's revenue base.

Cost of sales and gross profit

During the three months ended 31 March 2019, the Group's gross profit decreased by approximately 7.8% from approximately HK\$22.5 million for the three months ended 31 March 2018 to approximately HK\$20.8 million for the three months ended 31 March 2019. The Group's cost of sales comprises costs of materials, direct labour, manufacturing overhead, subcontracting services fee and other overhead. The cost of sales increased by approximately 10.6% from approximately HK\$132.2 million for the three months ended 31 March 2018 to approximately HK\$146.3 million for the three months ended 31 March 2019.

The gross profit margin decreased from approximately 14.6% for the three months ended 31 March 2018 to approximately 12.4% for the three months ended 31 March 2019. The decrease of gross profit was due to the larger increment in cost of materials and direct labour compared to the increase in revenue.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 50.8% from approximately HK\$2.8 million for the three months ended 31 March 2018 to approximately HK\$4.2 million for the three months ended 31 March 2019, which was mainly due to the aggregate increase in the selling and distribution expenses incurred by the Group's subsidiary in Vietnam and the increase in transportation fee of the Group.

Administrative expenses

Administrative expenses increased by approximately 15.8% from approximately HK\$11.6 million for the three months ended 31 March 2018 to approximately HK\$13.4 million for the three months ended 31 March 2019, 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 10.3% from approximately HK\$6.0 million for the three months ended 31 March 2018 to approximately HK\$6.6 million for the three months ended 31 March 2019, which was mainly due to the increase in expenses of salaries and social insurance.

Finance costs

Finance costs increased by approximately 13.1% from approximately HK\$1.1 million for the three months ended 31 March 2018 to approximately HK\$1.2 million for the three months ended 31 March 2019, which was mainly due to the increase of interest expenses on obligations under finance leases which increased approximately HK\$0.1 million from approximately HK\$0.1 million for the three months ended 31 March 2018 to approximately HK\$0.2 million for the three months ended 31 March 2019 as certain new finance leases were entered after the three months ended 31 March 2018.

Profit for the year

As a result of the foregoing, the profit for the three months ended 31 March 2019 amounted to approximately HK\$0.4 million, comparing with the profit of approximately HK\$1.6 million for the three months ended 31 March 2018.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities (2018: nil).

PLEDGE OF ASSETS

As at 31 March 2019, bank deposits of approximately HK\$30.8 million (2018: approximately HK\$32.1 million), property, plant and equipment with a carrying value of approximately HK\$77.3 million (2018: approximately HK\$106.2 million), financial assets at fair value through profit or loss/other financial assets with a carrying value of approximately HK\$22.0 million (2018: approximately HK\$22.1 million including an amount of approximately HK\$6.4 million classified as available-for-sale investments as at 31 March 2018) of the Group were pledged to secure the Group's bank borrowings. Bank borrowings guaranteed by personal guarantee have been replaced by a corporate guarantee on the Listing Date.

SIGNIFICANT INVESTMENTS HELD

During the three months ended 31 March 2019, there were financial assets at fair value through profit or loss held by the Group. As at 31 March 2019, the Group recorded financial assets at fair value through profit or loss/other financial assets with a carrying value of approximately HK\$22.0 million (2018: approximately HK\$22.1 million including an amount of approximately HK\$6.4 million classified as available-for-sale investments as at 31 March 2018).

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 except for those disclosed in the section headed “Future Plan and Use of Proceeds” in the Prospectus.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the three months ended 31 March 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed below.

On 27 February 2019, Zioncom Hong Kong, an indirect wholly owned subsidiary of the Company, entered into the Agreement with the Investors in relation to the Capital Injection of the aggregate amount of US\$2,100,000 in Zioncom Vietnam. As the completion of the Capital Injection took place on 20 March 2019, the charter capital of Zioncom Vietnam had been increased from US\$5,500,000 to US\$7,600,000. The full amount of the Capital Injection had been contributed in the form of cash by the Investors. On 20 March 2019 completion of the Capital Injection took place pursuant to the Agreement and Zioncom Hong Kong and the Investors hold 72.37%, 19.74% and 7.89% of the equity interest in Zioncom Vietnam, respectively, and Zioncom Vietnam became a non wholly-owned subsidiary of the Company. Details of the above transaction are disclosed in the announcement of the Company dated 27 February 2019.

EMPLOYEES INFORMATION

The Group had 812 employees (including Directors) as at 31 March 2019 (2018: 928 employees) in Hong Kong, the PRC, Taiwan and Vietnam.

The Group also reviews the performance to 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.

USE OF PROCEEDS

As of the date of this report, all of the net proceeds from the Share Offer after deducting underwriting commission and other expenses in relation thereto, amounting to approximately HK\$42.5 million, had been utilised. For more information, please refer to the Company’s announcements dated 29 March 2019 and 18 April 2019, and the Company’s annual report for the year ended 31 December 2018.

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, the interests and short positions of the Directors and chief executive of the Company in 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, were as follows:

(I) Long position in shares or underlying shares of the Company

Name of Directors	Capacity	Number of shares or underlying shares held		Total	Percentage of issued share capital
		Ordinary Shares	Share options		
Mr. Kim Byung Kwon	Interest of controlled corporation (Note)	462,000,000 ordinary shares	-	462,000,000 ordinary shares	70%

Note:

These 462,000,000 Shares are held by Lincats (BVI) Limited ("Lincats"). Mr. Kim Byung Kwon beneficially owns 81.8% of the issued share capital of Lincats.

(II) Long position in shares or underlying shares of associated corporation

Name of Directors	Name of associated corporation	Capacity	No. share(s) held	Percentage of issued share capital
Mr. Kim Byung Kwon	Lincats	Beneficial owner	1,636	81.8%
Mr. Kim Jun Yeob	Lincats	Beneficial owner	182	9.1%
Mr. Koo Ja Chun	Lincats	Beneficial owner	182	9.1%

Save as disclosed above, as at the Listing Date and the date of this report, none of the Directors or chief executive of the Company had any interest or short position in Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was 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 Shareholder	Long/short position	Capacity	Number of Shares	Percentage of issued share capital
Lincats	Long position	Beneficial owner	462,000,000	70%

Save as disclosed above, as at the Listing Date and 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 2018 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 2019.

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’ INTERESTS IN COMPETING BUSINESS

For the three months ended 31 March 2019, none of the Directors 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.

DEED OF NON-COMPETITION

Lincats and Mr. Kim Byung Kwon (the “**Covenantors**”), being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have entered into a deed of non-competition in favour of the Company (the “**Deed of Non-Competition**”). Each of the Covenantors has undertaken under the Deed of Non-Competition that he or it shall provide to the Company all information necessary for the enforcement of the Deed of Non-Competition. Details of the Deed of Non-Competition have been disclosed in the section headed “Relationship with Controlling Shareholders – Non-Competition Undertaking” of the Prospectus.

Each of the Covenantors has confirmed his or its compliance with the terms of the Deed of Non-Competition and the independent non-executive Directors were not aware of any non-compliance of the Deed of Non-Competition given by the Covenantors up to the date of this report.

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 2019.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Lego Corporate Finance Limited (the "**Compliance Adviser**"), save for the Compliance Adviser's agreement entered into between the Company and the Compliance Adviser dated 22 June 2017, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 31 March 2019.

CONNECTED TRANSACTIONS

During the three months ended 31 March 2019, 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 2019, 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 deviations as stated below:

Code Provisions F.1.3 and F.1.4

Under code provisions F.1.3 and F.1.4, the company secretary should report to the board chairman and/or chief executive and all directors should have access to the advice and services of the company secretary to ensure that the board procedures, and all applicable law, rules and regulations, are followed. With effect from 12 March 2019, Mr. Lee Pui Chung resigned as the company secretary of the Company and the Company was in the process of identifying a suitable candidate to fill the vacancy of the company secretary. For more information, please refer to the Company's announcement dated 12 March 2019.

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 since the Listing Date 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 "**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 has complied with the required Standard of Dealings for the three months ended 31 March 2019 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 2019 (2018: Nil).

EVENTS AFTER THE REPORTING PERIOD

Save as below, no significant events have occurred since the three months ended 31 March 2019 to this report date.

Resignation of independent non-executive Director

According to Rules 5.05(2) and 5.28 of the GEM Listing Rules, at least one independent non-executive Director and one of the members of the audit committee ("**Audit Committee**") must have appropriate professional qualifications or accounting or related financial management expertise.

Following the resignation of Mr. Yiu Kwing Sum on 1 April 2019, the Company has two independent non-executive Directors and the Audit Committee comprises two members who are all independent non-executive Directors. However, none of them has appropriate professional qualifications or accounting or related financial management expertise as specified in Rule 5.05(2) of the GEM Listing Rules. Therefore, the Company does not fully comply with the requirements of Rules 5.05(2) and 5.28 of the GEM Listing Rules as of 1 April 2019.

The Company shall make every effort to ensure that a suitable candidate be appointed to fulfill the requirements set out in Rules 5.05(2) and 5.28 as soon as practicable and in any event within three months as required under Rules 5.06 and 5.33 of the GEM Listing Rules. Mr. Shin Dongmin is acting as the chairman of the Audit Committee during the interim period. Further announcement will be made by the Company as and when appropriate. Please refer to the Company's announcement dated 1 April 2019 for more information.

Appointment of company secretary

With effect from 8 April 2019, Mr. Kwok Kai Hung was appointed as the company secretary of the Company. For more information, please refer to the Company's announcement dated 8 April 2019.

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, 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 2019 on 15 May 2019 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 Byung Kwon
Chairman

Hong Kong, 15 May 2019

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

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.