



ZIONCOM

Zioncom Holdings Limited

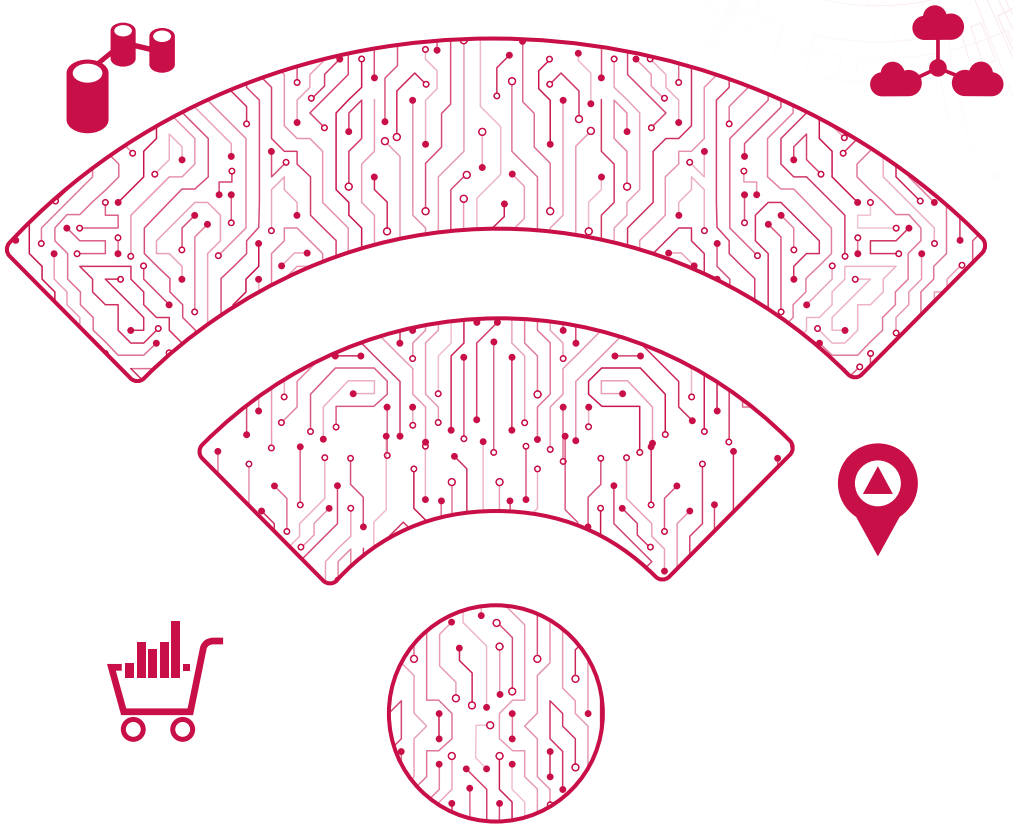
百家淘客股份有限公司*

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8287

THIRD QUARTERLY REPORT

2019



*For identification purpose only

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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 nine months ended 30 September 2019, together with the unaudited comparative figures for the same corresponding period in 2018.

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Revenue					
Cost of sales	4	141,034 (118,646)	156,892 (129,054)	470,872 (394,733)	467,968 (382,448)
Gross profit		22,388	27,838	76,139	85,520
Other income		189	452	6,569	2,165
Selling and distribution expenses		(6,092)	(4,635)	(15,082)	(14,244)
Administrative expenses		(8,337)	(11,043)	(37,861)	(41,237)
Research and development expenses		(6,264)	(5,917)	(18,678)	(18,853)
Profit from operations		1,884	6,695	11,087	13,351
Finance costs	5	(986)	(1,366)	(3,124)	(3,522)
Profit before taxation		898	5,329	7,963	9,829
Taxation	6	(282)	(2,348)	(1,422)	(3,751)
Profit for the period		616	2,981	6,541	6,078
Other comprehensive income/(loss)					
<i>Items that will not be reclassified to profit or loss:</i>					
Surplus on revaluation of properties		-	654	-	2,065
Deferred tax liabilities arising from revaluation of properties		-	33	-	(130)
		-	687	-	1,935
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference on translating of foreign operation		(1,979)	(4,302)	(2,627)	(2,835)
Gain/(loss) arising from changes in fair value of available-for-sale financial assets		-	18	-	(266)
		(1,979)	(4,284)	(2,627)	(3,101)

Notes	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Other comprehensive loss for the period	(1,979)	(3,597)	(2,627)	(1,166)
Total comprehensive (loss)/income for the period	(1,363)	(616)	3,914	4,912
Profit/(loss) for the period attributable to:				
Owners of the Company	619	2,981	5,945	6,078
Non-controlling interest	(3)	–	596	–
	616	2,981	6,541	6,078
Total comprehensive (loss)/income attributable to:				
Owners of the Company	(1,449)	(616)	3,313	4,912
Non-controlling interest	86	–	601	–
	(1,363)	(616)	3,914	4,912
Earnings per share attributable to the owners of the Company				
Basic and diluted (HK cents)	0.09	0.45	0.99	0.94

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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	Total	Non-controlling interests	Total										
												HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
												Unaudited (Note a)	Unaudited (Note a)	Unaudited (Note b)	Unaudited (Note c)	Unaudited (Note d)	Unaudited (Note e)	Unaudited (Note f)	Unaudited	Unaudited	Unaudited (Note g)
At 1 January 2018	9	-	31,992	2,279	7,043	18,726	66	82,933	143,048	-	143,048										
Profit for the period	-	-	-	-	-	-	-	6,078	6,078	-	1,078										
Other comprehensive income/(loss) for the period	-	-	-	-	(2,835)	1,935	(266)	-	(1,166)	-	(1,116)										
Profit and total comprehensive income/(loss) for the period	-	-	-	-	(2,835)	1,935	(266)	6,078	4,912	-	4,912										
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)	-	(17,625)										
At 30 September 2018	6,600	58,924	31,992	2,279	4,208	20,661	(200)	89,011	213,475	-	213,475										
At 1 January 2019	6,600	58,924	31,992	2,959	238	21,345	-	59,239	181,297	-	181,297										
Profit for the year	-	-	-	-	-	-	-	5,945	5,945	596	6,541										
Other comprehensive income/(loss) for the period	-	-	-	-	(2,632)	-	-	-	(2,632)	5	(2,627)										
Profit and total comprehensive income/(loss) for the period	-	-	-	-	(2,632)	-	-	5,945	3,313	601	3,914										
Deemed disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	16,260	16,260										
Transfer to surplus reserve	-	-	-	886	-	-	-	(886)	-	-	-										
At 30 September 2019	6,600	58,924	31,992	3,845	2,394	21,345	-	64,298	184,610	16,861	201,471										

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 People's Republic of China (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 approximately 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 "**Net Proceeds**").

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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2019 have not been audited by the Company's auditors but have been reviewed by the audit committee of the Company.

HKFRS16 Leases

HKFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessees and lessors. HKFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective. HKFRS16 distinguishes leases and service contracts on the basis of whether there is an identified asset controlled by the customer. Distinction of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting and is replaced by a model where a right-of-use asset and a corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exception) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected as operating lease payments under HKAS 17 are presented as operating cash flows, whereas under the HKFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively. The Group elected the modified retrospective approach for the application of HKFRS 16 as lessee and recognized the cumulative effect of initial application without restating comparative information.

4. REVENUE

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

5. FINANCE COSTS

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Interest expenses on bank borrowings wholly repayable within five years	753	1,315	2,008	3,329
Interest expenses on obligations under finance leases	2	51	277	193
Lease liabilities	231	-	839	-
	986	1,366	3,124	3,522

6. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Current taxation:				
Provision for the period				
- Hong Kong Profits Tax	-	(64)	-	-
- Other than Hong Kong	282	2,409	1,422	3,857
(Under)/over-provision in prior years	-	3	-	(106)
	282	2,348	1,422	3,751
Deferred taxation:				
Credited for the period	-	-	-	-
	282	2,348	1,422	3,751

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the nine months ended 30 September 2019 and 2018.

In the nine months ended 30 September 2019 and 2018, 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. The licence was renewed on 6 October 2018 and therefore was entitled to 15% preferential tax rate from PRC enterprise income tax for three years since then, according to the New PRC Enterprise Income Tax Law.

Taiwan Corporate Income Tax is calculated at 17% of the estimated assessable profit for the nine months ended 30 September 2019 and 2018.

Vietnam Corporate Income Tax is calculated at 20% of the estimated assessable profit for the nine months ended 30 September 2019 and 2018. No provision of Profits Tax for the subsidiary in Vietnam as no assessable profit for the nine months ended 30 September 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 nine months ended 30 September 2019 and 2018.

7. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2019 (2018: Nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share is based on the following data:

	For the three months ended 30 September		For the nine months ended 30 September	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Earnings				
Profit for the period attributable to the owners of the Company	619	2,981	5,945	6,078
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	660,000,000	660,000,000	660,000,000	647,670,330

The calculation of basic earnings per share for the nine months ended 30 September 2019 is based on the profit attributable to the owners of the Company for the nine months ended 30 September 2019 of approximately HK\$5,945,000 and 660,000,000 weighted average number of ordinary shares in issue during the nine months ended 30 September 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 nine months ended 30 September 2019 and 2018.

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 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\$22.8 million and HK\$33.1 million respectively for the nine months ended 30 September 2019, which in aggregate contributed approximately 11.9% 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's production capacity 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. The 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.

Future Development

The Group is releasing new products to the market in the fourth quarter of 2019. The new products include improved versions of existing AC routers, T-Mesh systems, Wi-Fi extenders, switches, 4G LTE routers and Mi-Fi routers.

Our research and development team will continue delivering innovative technology and products to our customers.

Looking ahead, the Group will continue to build our existing businesses, and look for new investment opportunities to enhance the Group's profitability and return to the shareholders.

FINANCIAL REVIEW

For the nine months ended 30 September 2019, the Group recorded revenue of approximately HK\$470.9 million, representing a steady increase of approximately 0.6% comparing with that of approximately HK\$468.0 million for the nine months ended 30 September 2018.

The steady increase was mainly due to the increase of orders from customers located in Korea during the nine months ended 30 September 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 nine months ended 30 September 2019, the Group's gross profit decreased by approximately 12.3% from approximately HK\$85.5 million for the nine months ended 30 September 2018 to approximately HK\$76.1 million for the nine months ended 30 September 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 3.2% from approximately HK\$382.4 million for the nine months ended 30 September 2018 to approximately HK\$394.7 million for the nine months ended 30 September 2019.

The gross profit margin decreased from approximately 18.3% for the nine months ended 30 September 2018 to approximately 16.2% for the nine months ended 30 September 2019.

The decrease in gross profit and gross profit margin was mainly due to an increase in material costs in the past few months.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 5.9% from approximately HK\$14.2 million for the nine months ended 30 September 2018 to approximately HK\$15.1 million for the nine months ended 30 September 2019, which was mainly due to (i) the aggregate increase in the selling and distribution expenses incurred by the Group's subsidiary in Vietnam as a result of increase of product promotion expenses and increase of sales volume in Vietnam and (ii) the increase in transportation fee of the Group.

Administrative expenses

Administrative expenses decreased by approximately 8.0% from approximately HK\$41.2 million for the nine months ended 30 September 2018 to approximately HK\$37.9 million for the nine months ended 30 September 2019, which was mainly due to the aggregate decrease of legal and professional fees and staff bonus.

Research and development expenses

Research and development expenses remained stable at approximately HK\$18.9 million for the nine months ended 30 September 2018 and approximately HK\$18.7 million for the nine months ended 30 September 2019.

Finance costs

Finance costs decreased by approximately 11.4% from approximately HK\$3.5 million for the nine months ended 30 September 2018 to approximately HK\$3.1 million for the nine months ended 30 September 2019, which was mainly due to the decrease of interest expenses on bank borrowings which decreased approximately HK\$1.1 million from approximately HK\$3.3 million for the nine months ended 30 September 2018 to approximately HK\$2.2 million for the nine months ended 30 September 2019 as two finance leases amounting to approximately HK\$0.5 million in total were fully settled during the nine months ended 30 September 2019, mitigated by the increase in interest expenses arose from the new bank loan obtained on 31 May 2019.

Profit for the period

As a result of the foregoing, the profit increased by approximately 6.6% from the profit of approximately HK\$6.1 million for the nine months ended 30 September 2018 to approximately HK\$6.5 million for the nine months ended 30 September 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2019, total borrowings of the Group amounted to approximately HK\$67.9 million (As at 31 December 2018: approximately HK\$63.2 million) which represented 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 30 September 2019, the cash and bank balances and pledged bank deposit of the Group amounted to approximately HK\$43.7 million (As at 31 December 2018: approximately HK\$35.3 million).

As at 30 September 2019, debt to equity ratio of the Group was approximately 12.0% (As at 31 December 2018: approximately 15.4%). Debt to equity ratio is calculated by dividing the net debt, which is defined to include bank borrowings and obligations under finance leases net of pledged bank deposits and cash and bank balances, by total equity at the end of the financial period/year. Current ratio as at 30 September 2019 was approximately 1.1 time (As at 31 December 2018: approximately 1.1 time).

As at 30 September 2019, gearing ratio of the Group was approximately 33.7% (As at 31 December 2018: approximately 34.9%). Gearing ratio is calculated based on total debt for the financial period/year divided by total equity as of the end of the financial period/year.

The Group maintained sufficient working capital as at 30 September 2019 with cash and bank balances of approximately HK\$25.3 million (As at 31 December 2018: approximately HK\$4.8 million). The Board will continue to follow a prudent treasury policy in managing its cash balances and maintain a strong and healthy liquidity to ensure that the Group is well placed to source any appropriate business opportunities.

As at 30 September 2019, the Group's net current assets amounted to approximately HK\$41.9 million (As at 31 December 2018: net current assets of approximately HK\$23.6 million). The Group's operations are financed principally by revenue generated from its business operation, available cash and bank balances as well as bank borrowings.

The Shares were successfully listed on GEM on 18 January 2018. There has been no change in the Company's capital structure since 18 January 2018. The capital structure of the Group comprises of issued share capital and reserves. The Directors review the Group's capital structure regularly.

CONTINGENT LIABILITIES

As at 30 September 2019, the Group did not have any significant contingent liabilities (As at 31 December 2018: nil).

CAPITAL COMMITMENTS

Capital commitments at the end of the each reporting period contracted but not provided for in the consolidated financial statements were as follows:

	As at 30 September 2019 HK\$'000 (Unaudited)	As at 30 September 2018 HK\$'000 (Unaudited)
Acquisition of property, plant and equipment	–	5,385

PLEDGE OF ASSETS

As at 30 September 2019, bank deposits of approximately HK\$18.4 million (As at 31 December 2018: approximately HK\$24.6 million), property, plant and equipment with a carrying value of approximately HK\$75.9 million (As at 31 December 2018: approximately HK\$75.6 million), financial assets at fair value through profit or loss and other financial assets with a carrying amount of approximately HK\$22.3 million (As at 31 December 2018: approximately HK\$22.0 million including an amount of approximately HK\$6.1 million classified as available-for-sale investments) 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.

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 USD, RMB 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.

SIGNIFICANT INVESTMENTS HELD

During the nine months ended 30 September 2019, there were financial assets at fair value through profit or loss held by the Group. As at 30 September 2019, the Group recorded financial assets at fair value through profit or loss/other financial assets with a carrying value of approximately HK\$22.3 million (As at 31 December 2018: approximately HK\$22.0 million including an amount of approximately HK\$6.1 million classified as available-for-sale investment).

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 and the composite document dated 20 September 2019 in relation to the Offer (as defined under the section headed "Mandatory unconditional cash offer to acquire all the issued shares of the Company").

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the nine months ended 30 September 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the first quarterly report of the Company for the three months ended 31 March 2019.

EMPLOYEES INFORMATION

The Group had 903 employees (including Directors) as at 30 September 2019 (As at 30 September 2018: 961 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 Rules 5.46 to 5.67 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)	198,000,000 ordinary shares	–	198,000,000 ordinary shares	30%

Note:

These 198,000,000 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 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 Rules 5.46 to 5.67 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
Absolute Skill Holdings Limited	Long position	Beneficial owner	301,180,000	45.63%
Lincats	Long position	Beneficial owner	198,000,000	30%

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 30 September 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’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the nine months ended 30 September 2019 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 the nine months ended 30 September 2019.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

For the nine months ended 30 September 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 since the Listing Date and 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 nine months ended 30 September 2019.

MANDATORY UNCONDITIONAL CASH OFFER TO ACQUIRE ALL THE ISSUED SHARES OF THE COMPANY

On 22 July 2019 (after trading hours), the Company and the Offeror jointly announced, among other things, that, Lincats (the "**Vendor**") and the Absolute Skill Holdings Limited (the "**Offeror**") entered into a sale and purchase agreement, pursuant to which the Vendor had conditionally agreed to sell and the Offeror had conditionally agreed to acquire an aggregate of 264,000,000 sale shares of the Company (the "**Sale Share(s)**"), representing 40% of the issued share capital of the Company as at the date of the announcement. The consideration for the Sale Shares was in the sum of HK\$73,200,000, representing approximately HK\$0.27727 per Sale Share, which was payable by the Offeror to the Vendor in cash.

The completion of the sale and purchase of the Sale Shares took place on 16 September 2019 (the "**Completion**") and was jointly announced on the same date by the Company and the Offeror. Upon Completion, the Vendor became interested in 198,000,000 Shares, representing 30% of the issued share capital of the Company, whilst the Offeror became the owner of 264,000,000 Shares, representing 40% of the issued share capital of the Company. Pursuant to the Code on Takeovers and Mergers (the "**Takeovers Code**") issued by the Securities and Futures Commission of Hong Kong, the Offeror was required to make a mandatory unconditional cash offer for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and parties acting in concert with it) under Rule 26.1 of the Takeovers Code (the "**Offer**").

At 4:00 p.m. on 11 October 2019, being the latest time and date for acceptance of the Offer, the Offeror received valid acceptances in respect of 37,180,000 Shares under the Offer, representing 5.63% of the total issued share capital of the Company. Accordingly immediately after the close of the Offer and as at the date of this report, the Company does not satisfy the minimum public float requirement of 25% under Rule 11.23(7) of the GEM Listing Rules.

Please refer to the Company's announcements dated 22 July 2019, 16 September 2019, 20 September 2019 and 11 October 2019 for more information related to the sale and purchase of the Sale Shares and the Offer.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, Lego Corporate Finance Limited (the "LCFL"), save for the compliance advisory agreement entered into between the Company and LCFL dated 22 June 2017, neither LCFL 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 30 September 2019.

CONNECTED TRANSACTIONS

During the nine months ended 30 September 2019, the Company had not entered into any connected transaction which is subject to the disclosure requirements under the GEM Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors as at the date of this report, 160,820,000 shares of the Company, representing approximately 24.37% of the total issued share capital of the Company, are held by the public (as defined by the GEM Listing Rules). Accordingly, the Company does not satisfy the minimum public float requirement of 25% under Rule 11.23(7) of the GEM Listing Rules.

On 29 October 2019, the Stock Exchange granted a temporary waiver to the Company from strict compliance with Rule 11.23(7) of the GEM Listing Rules for the period commencing from 11 October 2019 up to and including 11 December 2019.

The Offeror and the Company will take appropriate steps as soon as practicable to restore the required minimum public float. Further announcement(s) will be made by the Company regarding restoration of public float in the Shares as soon as possible. Please refer to the Company's announcements dated 11 October 2019 and 29 October 2019 for more information.

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 5.48 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 from the Listing Date and up to the date of this report.

DIVIDENDS

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2019 (2018: Nil).

EVENTS AFTER THE REPORTING PERIOD

Save as below, no significant events have occurred since the nine months ended 30 September 2019 to this report date.

Adoption of Chinese Name for identification purpose

On 9 October 2019, the Company adopted the Chinese name of “百家淘客股份有限公司” for identification purpose. Please refer to the Company’s announcement dated 11 October 2019 for more information.

Close of mandatory unconditional cash offer to acquire all the issued shares of the Company

At 4:00 p.m. on 11 October 2019, being the latest time and date for acceptance of the Offer, the Offeror received valid acceptances in respect of 37,180,000 Shares under the Offer, representing 5.63% of the total issued share capital of the Company. Accordingly immediately after the close of the Offer and as at the date of this report, the Company does not satisfy the minimum public float requirement of 25% under Rule 11.23(7) of the GEM Listing Rules. Please refer to the Company’s announcements dated 22 July 2019, 16 September 2019, 20 September 2019 and 11 October 2019 for more information related to the sale and purchase of the Sale Shares and the Offer.

Appointment of Executive Director

On 11 October 2019, in connection with the Offer and as nominated by the Offeror, with effect immediately after the close of the Offer, Mr. Zhao Xiuming was appointed as an executive Director. Please refer to the Company’s announcement dated 11 October 2019 for more information.

Proposed Adoption of Chinese Name as Dual Foreign Name of the Company

On 23 October 2019, the Company issued an announcement in which the Board proposed to adopt the Chinese name of “百家淘客股份有限公司” as the dual foreign name of the Company (the “**Proposed Adoption of Chinese Name**”).

The Proposed Adoption of Chinese Name is subject to (i) the passing of a special resolution by the Shareholders approving the Proposed Adoption of Chinese Name at an extraordinary general meeting of the Company to be held on 14 November 2019; and (ii) the Registrar of Companies in the Cayman Islands approving the Proposed Adoption of Chinese Name, if any.

Please refer to the Company’s announcement dated 23 October 2019 and circular dated 28 October 2019 for more information.

COMPLIANCE COMMITTEE

The Company established the compliance committee (the “**Compliance Committee**”) with effect from 18 January 2018. The primary duties of the Compliance Committee are, among others, to oversee the legal compliance aspect of the internal control system and the execution of compliance manual which summarises all internal control measures and policies of the Group. The roles and functions of the Compliance Committee are clearly set out in the terms of reference which are no less exacting than the Code and are available on the websites of the Company and the Stock Exchange.

Three Compliance Committee meetings were held for the nine months ended 30 September 2019. The attendances of each Compliance Committee member are set out as follows:

	Number of meetings attended/ eligible to attend
Executive Director	
Mr. Kim Jun Yeob	3/3
Independent Non-executive Directors	
Mr. Shin Dongmin	3/3
Mr. Kwong Chun Man (appointed with effect from 26 June 2019)	1/1
Mr. Yiu Kwing Sum (resigned with effect from 1 April 2019)	1/1
Mr. Ko Ming Tung, Edward (<i>Chairman</i>)	3/3

The major works performed by the Compliance Committee for the nine months ended 30 September 2019 include the following:

- reviewed the Company’s compliance with the Code;
- reviewed and approved the Company’s policies and procedures on compliance with legal and regulatory requirements; and
- prepared and submitted summary reports to the Board on the overall compliance performance and corporate governance practices of the Company.

The Compliance Committee reported that it had duly performed its duties relating to the corporate governance functions and save as disclosed, it was not aware of any material non-compliance incidents during the nine months ended 30 September 2019.

AUDIT COMMITTEE

The Company established the audit committee (the “**Audit Committee**”) with effect from 18 January 2018 with written terms of reference 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 nine months ended 30 September 2019 on 14 November 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, 14 November 2019

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

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.