



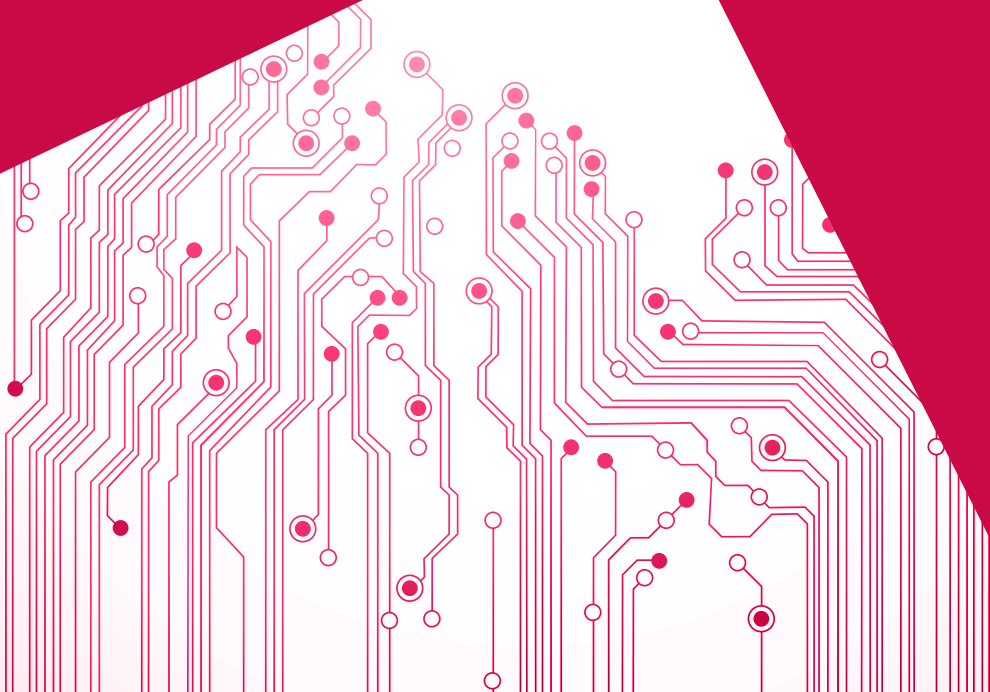
Zioncom Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8287

THIRD QUARTERLY REPORT

2018



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 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 2018, together with the unaudited comparative figures for the same corresponding period in 2017.

	Notes	For the three months ended 30 September		For the nine months ended 30 September	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue					
Cost of sales	4	156,892 (129,054)	146,045 (125,234)	467,968 (382,448)	392,467 (333,136)
Gross profit		27,838	20,811	85,520	59,331
Other income		452	1,324	2,165	6,842
Selling and distribution expenses		(4,635)	(2,003)	(14,244)	(7,944)
Administrative expenses		(11,043)	(11,417)	(41,237)	(35,406)
Research and development expenses		(5,917)	(6,332)	(18,853)	(16,135)
Profit from operations		6,695	2,383	13,351	6,688
Finance costs	5	(1,366)	(1,443)	(3,522)	(2,105)
Profit before taxation		5,329	940	9,829	4,583
Taxation	6	(2,348)	(149)	(3,751)	(2,093)
Profit for the period		2,981	791	6,078	2,490
Other comprehensive income/(loss)					
<i>Items that will not be reclassified to profit or loss:</i>					
Surplus on revaluation of properties		654	674	2,065	1,974
Deferred tax liabilities arising from revaluation of properties		33	(155)	(130)	(437)
		687	519	1,935	1,537
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference on translating of foreign operation		(4,302)	(266)	(2,835)	3,192
Gain/(loss) arising from changes in fair value of available-for-sale financial assets		18	-	(266)	108
		(4,284)	(266)	(3,101)	3,300

Notes	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Other comprehensive (loss)/income for the period	(3,597)	253	(1,166)	4,837
Total comprehensive (loss)/income for the period	(616)	1,044	4,912	7,327
Profit for the period attributable to the owners of the Company	2,981	791	6,078	2,490
Total comprehensive (loss)/income attributable to owners of the Company	(616)	1,044	4,912	7,327
Earnings per share attributable to the owners of the Company				
Basic and diluted (HK cents)	8 0.45	0.17	0.94	0.54

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY


	Attributable to owners of the Company								Total HK\$'000 Unaudited
	Share capital HK\$'000 Unaudited (Note a)	Share premium HK\$'000 Unaudited (Note a)	Other reserve HK\$'000 Unaudited (Note b)	Surplus reserve HK\$'000 Unaudited (Note c)	Exchange reserve HK\$'000 Unaudited (Note d)	Revaluation	Available- for-sales financial assets reserve HK\$'000 Unaudited (Note f)	Retained Earnings HK\$'000 Unaudited	
						Surplus reserve HK\$'000 Unaudited (Note e)			
At 1 January 2017	32,001	-	-	2,279	(712)	16,684	(54)	82,213	132,411
Profit for the period	-	-	-	-	-	-	-	2,490	2,490
Other Comprehensive income for the period	-	-	-	-	3,192	1,537	108	-	4,837
Profit and total comprehensive income for the period	-	-	-	-	3,192	1,537	108	2,490	7,327
Effect of reorganisation	(31,992)	-	31,992	-	-	-	-	-	-
At 30 September 2017	9	-	31,992	2,279	2,480	18,221	54	84,703	139,738
At 1 January 2018	9	-	31,992	2,279	7,043	18,726	66	82,933	143,048
Profit for the period	-	-	-	-	-	-	-	6,078	6,078
Other Comprehensive loss for the period	-	-	-	-	(2,835)	1,935	(266)	-	(1,166)
Profit and total comprehensive loss for the period	-	-	-	-	(2,835)	1,935	(266)	6,078	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
Expenses in connection with the issue of shares	-	(19,625)	-	-	-	-	-	-	(19,625)
At 30 September 2018	6,600	58,924	31,992	2,279	4,208	20,661	(200)	89,011	213,475

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.

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 2018 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 2018 are consistent with those adopted in the financial statements of the Group for the year ended 31 December 2017.

The unaudited condensed consolidated financial statements of the Group for the nine months ended 30 September 2018 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

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Interest expenses on bank borrowings wholly repayable within five years	1,315	1,378	3,329	1,890
Interest expenses on obligations under finance leases	51	65	193	215
	1,366	1,443	3,522	2,105

6. TAXATION

	For the three months ended 30 September		For the nine months ended 30 September	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Current taxation:				
Provision for the period				
– Hong Kong Profits Tax	(64)	–	–	–
– Other than Hong Kong	2,409	149	3,857	2,098
Over-provision in prior years	3	–	(106)	–
	2,348	149	3,751	2,098
Deferred taxation:				
Credited for the period	–	–	–	(5)
	2,348	149	3,751	2,093

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the nine months ended 30 September 2018 and 2017.

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, according to the New PRC Enterprise Income Tax Law. The qualification of High and New Technology Enterprise was expired on 18 June 2018, the application for renewal is under processing. Based on the past experience of management, the application result will likely be released at the end of 2018.

Taiwan Corporate Income Tax is calculated at 17% of the estimated assessable profit for the nine months ended 30 September 2018 and 2017.

Vietnam Corporate Income Tax is calculated at 20% of the estimated assessable profit for the nine months ended 30 September 2018 and 2017. No provision of Profits Tax for the subsidiary in Vietnam as no assessable profit for the nine months ended 30 September 2018 and 2017.

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 2018 and 2017.

7. DIVIDEND

The Board does not recommend the payment of any dividend for the nine months ended 30 September 2018 (2017: 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Earnings				
Profit for the period attributable to the owners of the Company	2,981	791	6,078	2,490
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share	660,000,000	462,000,000	647,670,330	462,000,000

The calculation of basic earnings per share for the nine months ended 30 September 2018 is based on the profit attributable to the owners of the Company for the nine months ended 30 September 2018 of approximately HK\$6,078,000 and 647,670,330 weighted average number of ordinary shares in issue during the nine months ended 30 September 2018.

The calculation of basic earnings per share for the nine months ended 30 September 2017 is based on the profit attributable to the owners of the Company for the nine months ended 30 September 2017 and on the assumption that 462,000,000 ordinary shares had been issued, comprising 858,000 ordinary shares in issue and 461,142,000 ordinary shares to be issued pursuant to the capitalisation issue as if the shares had been outstanding throughout the entire reporting period.

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 2018 and 2017.

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\$26.2 million and HK\$31.8 million respectively for the nine months ended 30 September 2018, which in aggregate contributed approximately 12.4% 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.

Due to the recent trade war between the PRC and the United States, products manufactured in PRC are likely to face heavy tariffs when being imported into the United States in the near future. When tariffs are imposed against products manufactured in PRC, companies with manufacturing lines outside the PRC will gain a clear advantage on 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. The Group may be able to avoid such heavy tariffs in the event of the China – United States trade war. Thus, the Group is expecting demand of its products will increase in the future under such circumstances.

Future Development

The Group is releasing new products to the market in the forth quarter of 2018. The new products include a series of new AC routers, improved version of existing mesh system and 4G LTE 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 will actively look for new investment opportunities to steadily enhance the Group's profitability and return to the shareholders.

FINANCIAL REVIEW

For the nine months ended 30 September 2018, the Group recorded revenue of approximately HK\$468.0 million, representing an increase of approximately 19.2% comparing with that of approximately HK\$392.5 million for the nine months ended 30 September 2017.

The increase was mainly due to the increase of orders from customers located in Korea during the nine months ended 30 September 2018. The Group will continue to put more resources expanding 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 2018, the Group's gross profit increased by approximately 44.1% from approximately HK\$59.3 million for the nine months ended 30 September 2017 to approximately HK\$85.5 million for the nine months ended 30 September 2018. 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 14.8% from approximately HK\$333.1 million for the nine months ended 30 September 2017 to approximately HK\$382.4 million for the nine months ended 30 September 2018.

The gross profit margin increased from approximately 15.1% for the nine months ended 30 September 2017 to approximately 18.3% for the nine months ended 30 September 2018. The increase of gross profit is in line with the increase of revenue.

The increase of gross profit margin was mainly due to (i) the increase in number of orders made by our major customers for products with relatively high profit margin and (ii) the depreciation of Renminbi ("**RMB**") against United States Dollars ("**USD**"), given that the currencies the Group used in sales and procurement of raw materials are mainly in USD and RMB respectively.

Selling and distribution expenses

Selling and distribution expenses increased by approximately 79.3% from approximately HK\$7.9 million for the nine months ended 30 September 2017 to approximately HK\$14.2 million for the nine months ended 30 September 2018, 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 increased by approximately 16.5% from approximately HK\$35.4 million for the nine months ended 30 September 2017 to approximately HK\$41.2 million for the nine months ended 30 September 2018, 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 16.8% from approximately HK\$16.1 million for the nine months ended 30 September 2017 to approximately HK\$18.9 million for the nine months ended 30 September 2018, which was mainly due to the increase in expenses of salaries and social insurance as the number of staff of research and development department increased.

Finance costs

Finance costs increased by approximately 67.3% from approximately HK\$2.1 million for the nine months ended 30 September 2017 to approximately HK\$3.5 million for the nine months ended 30 September 2018, which was mainly due to the increase of interest expenses on bank borrowings which increased approximately HK\$1.4 million from approximately HK\$1.9 million for the nine months ended 30 September 2017 to approximately HK\$3.3 million for the nine months ended 30 September 2018 as certain new bank borrowings were obtained after the nine months ended 30 September 2017.

Profit for the period

As a result of the foregoing, the profit increased by approximately 144.1% from the profit of approximately HK\$2.5 million for the nine months ended 30 September 2017 to approximately HK\$6.1 million for the nine months ended 30 September 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 September 2018, total borrowings of the Group amounted to approximately HK\$68.2 million (As at 31 December 2017: approximately HK\$64.3 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 2018, the cash and bank balances and pledged bank deposit of the Group amounted to approximately HK\$39.5 million (As at 31 December 2017: approximately HK\$58.3 million).

As at 30 September 2018, debt to equity ratio of the Group was approximately 13.5% (As at 31 December 2017: approximately 4.2%). 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 2018 was approximately 1.2 time (As at 31 December 2017: approximately 1.0 time).

As at 30 September 2018, gearing ratio of the Group was approximately 32.0% (As at 31 December 2017: approximately 45.0%). 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 2018 with cash and bank balances of approximately HK\$8.9 million (As at 31 December 2017: approximately HK\$32.6 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 2018, the Group's net current assets amounted to approximately HK\$54.4 million (As at 31 December 2017: net current liabilities approximately HK\$4.4 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 2018, the Group did not have any significant contingent liabilities (2017: 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 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Acquisition of property, plant and equipment	5,385	–

PLEDGE OF ASSETS

As at 30 September 2018, bank deposits of approximately HK\$30.6 million (As at 31 December 2017: approximately HK\$25.7 million), property, plant and equipment with a carrying value of approximately HK\$97.4 million (As at 31 December 2017: approximately HK\$79.9 million), available-for-sale financial assets with a carrying value of approximately HK\$5.6 million (As at 31 December 2017: approximately HK\$5.9 million) and other financial assets with a carrying value of approximately HK\$16.0 million (As at 31 December 2017: approximately HK\$10.1 million) 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 (“VND”). 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 2018, there were available-for-sale financial assets and other financial assets held by the Group. As at 30 September 2018, the Group recorded available-for-sale financial assets of approximately HK\$6.2 million (As at 31 December 2017: approximately HK\$6.5 million) and other financial assets of approximately HK\$16.0 million (As at 31 December 2017: approximately HK\$10.1 million).

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 nine months ended 30 September 2018, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

EMPLOYEES INFORMATION

The Group had 961 employees (including Directors) as at 30 September 2018 (As at 31 December 2017: 915 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, there were no changes to the business plans from those disclosed in the Prospectus. The unutilised portion of the Net Proceeds will be applied in the manner consistent with the use of proceeds as disclosed in the Prospectus.

The Directors will constantly evaluate the Group’s business strategies and objectives and where appropriate will change or modify the plans against the changing market condition to suit the business growth of the Group.

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

The listing took place on 18 January 2018.

As at the Listing Date and 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)	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 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 Listing Date and 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 2017 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 2018.

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 2018 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 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the nine months ended 30 September 2018, 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

Since the Listing Date, 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 2018.

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 30 September 2018.

CONNECTED TRANSACTIONS

During the nine months ended 30 September 2018, the Company had not entered into any connected transaction which is subject to the disclosure requirements under the GEM Listing Rules.

CORPORATE GOVERNANCE

Since the Listing Date, the Company has complied with the applicable code provisions as set out in the Corporate Governance Code (the "**Code**") as set out in Appendix 15 of 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, 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 5.48 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 2018 (2017: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred since the nine months ended 30 September 2018 to this report date.

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.

In accordance with the undertaking as disclosed in the section headed “Business – Risk Management, Internal Control and Corporate Governance Measures” in the Prospectus, the Compliance Committee engaged a compliance director on 9 April 2018 who is a Hong Kong qualified solicitor with more than three years of relevant experience working as an in-house lawyer or similar experience and is responsible for the Group’s internal control procedures to ensure its compliance with the GEM Listing Rules and other applicable laws and regulations.

Three Compliance Committee meetings were held for the nine months ended 30 September 2018. 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. Kim Kwang Hyun	3/3
Mr. Oh Sung Jin	3/3
Mr. Yiu Kwing Sum	3/3
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 2018 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 it was not aware of any material non-compliance incidents during the nine months ended 30 September 2018.

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 2018 on 9 November 2018 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, 9 November 2018

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. Kim Kwang Hyun, Mr. Oh Sung Jin, Mr. Yiu Kwing Sum and Mr. Ko Ming Tung, Edward.

This report will remain on the GEM website at www.hkgem.com on the “Latest Company Announcements” page for at least 7 days from the date of its posting and on the website of the Company at www.zioncom.net.