



# ZIONCOM

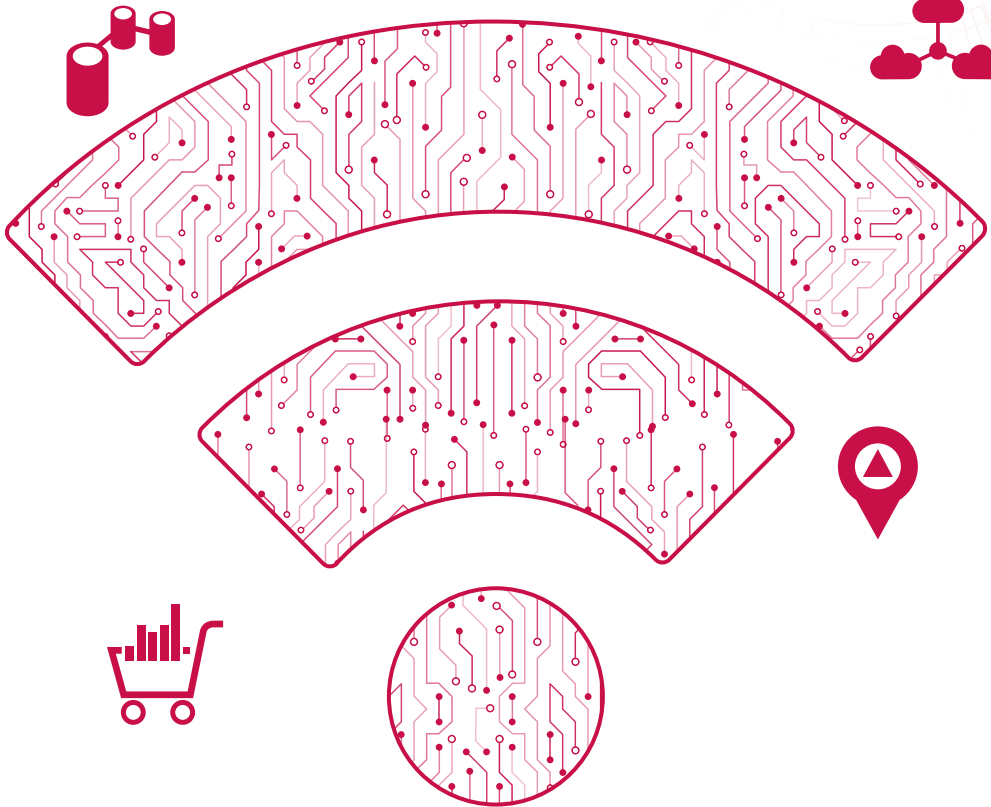
**Zioncom Holdings Limited**

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

Stock code: 8287

**INTERIM REPORT**

2019



## **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.**

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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.



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## **CORPORATE INFORMATION**

### **BOARD OF DIRECTORS**

#### **Executive Directors:**

Mr. Kim Byung Kwon (金炳權先生)  
(Chairman)  
Mr. Kim Jun Yeob (金俊燁先生)  
Mr. Koo Ja Chun (具滋千先生)  
Mr. Xiao Jingen (肖金根先生)

#### **Independent Non-Executive Directors:**

Mr. Ko Ming Tung, Edward (高明東先生)  
Mr. Shin Dongmin (申東旻先生)  
Mr. Kwong Chun Man (鄺振文先生)  
(appointed with effect from 26 June 2019)

### **COMPANY SECRETARY**

Mr. Kwok Kai Hung (郭啟雄先生)  
(appointed with effect from 8 April 2019)

### **AUTHORISED REPRESENTATIVES**

Mr. Kim Jun Yeob (金俊燁先生)  
Mr. Koo Ja Chun (具滋千先生)

### **COMPLIANCE OFFICER**

Mr. Kim Jun Yeob (金俊燁先生)

### **AUDIT COMMITTEE**

Mr. Kwong Chun Man (鄺振文先生)  
(Chairman)  
(appointed with effect from 26 June 2019)  
Mr. Shin Dongmin (申東旻先生)  
(resigned as Chairman with effect  
from 26 June 2019)  
Mr. Ko Ming Tung, Edward (高明東先生)

### **REMUNERATION COMMITTEE**

Mr. Shin Dongmin (申東旻先生)  
(Chairman)  
Mr. Ko Ming Tung, Edward (高明東先生)  
Mr. Kwong Chun Man (鄺振文先生)  
(appointed with effect from 26 June 2019)

### **NOMINATION COMMITTEE**

Mr. Shin Dongmin (申東旻先生)  
(Chairman)  
Mr. Ko Ming Tung, Edward (高明東先生)  
Mr. Kwong Chun Man (鄺振文先生)  
(appointed with effect from 26 June 2019)  
Mr. Koo Ja Chun (具滋千先生)

### **COMPLIANCE COMMITTEE**

Mr. Ko Ming Tung, Edward (高明東先生)  
(Chairman)  
Mr. Kim Jun Yeob (金俊燁先生)  
Mr. Shin Dongmin (申東旻先生)  
Mr. Kwong Chun Man (鄺振文先生)  
(appointed with effect from 26 June 2019)

## **REGISTERED OFFICE IN THE CAYMAN ISLANDS**

P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

## **HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG**

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

## **PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE**

Estera Trust (Cayman) Limited  
P.O. Box 1350  
Clifton House  
75 Fort Street  
Grand Cayman  
KY1-1108  
Cayman Islands

## **HONG KONG SHARE REGISTRAR**

Computershare Hong Kong Investor  
Services Limited  
Shops 1712-1716, 17th Floor,  
Hopewell Centre, 183 Queen's Road East,  
Wanchai, Hong Kong

## **PRINCIPAL BANKER**

The Hongkong and Shanghai Banking  
Corporation Limited

## **AUDITORS**

HLB Hodgson Impey Cheng Limited  
31/F, Gloucester Tower, The Landmark,  
11 Pedder Street, Centre, Hong Kong

## **COMPLIANCE ADVISER**

Lego Corporate Finance Limited  
Room 1601, 16/F, China Building  
29 Queen's Road Central, Hong Kong

## **STOCK CODE**

8287

## **COMPANY'S WEBSITE**

[www.zioncom.net](http://www.zioncom.net)

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

The board (the “**Board**”) of Directors of the Company presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and six months ended 30 June 2019, together with the unaudited comparative figures for the same corresponding period in 2018.

		For the three months ended 30 June		For the six months ended 30 June	
Notes		2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Revenue</b>	5	<b>162,749</b>	156,301	<b>329,838</b>	311,076
Cost of sales		<b>(129,769)</b>	(121,159)	<b>(276,087)</b>	(253,394)
<b>Gross profit</b>		<b>32,980</b>	35,142	<b>53,751</b>	57,682
Other income		<b>778</b>	180	<b>6,380</b>	1,713
Selling and distribution expenses		<b>(4,793)</b>	(6,825)	<b>(8,990)</b>	(9,609)
Administrative expenses		<b>(16,090)</b>	(18,591)	<b>(29,524)</b>	(30,194)
Research and development expenses		<b>(5,833)</b>	(6,971)	<b>(12,414)</b>	(12,936)
<b>Profit from operations</b>		<b>7,042</b>	2,935	<b>9,203</b>	6,656
Finance costs	6	<b>(936)</b>	(1,093)	<b>(2,138)</b>	(2,156)
<b>Profit before taxation</b>		<b>6,106</b>	1,842	<b>7,065</b>	4,500
Taxation	7	<b>(606)</b>	(359)	<b>(1,140)</b>	(1,403)
<b>Profit for the period</b>		<b>5,500</b>	1,483	<b>5,925</b>	3,097
<b>Other comprehensive income</b>					
<b>Items that will not reclassified to profit or loss:</b>					
Surplus on revaluation of properties		-	700	-	1,411
Deferred tax liabilities arising from revaluation of properties		-	76	-	(163)
		-	776	-	1,248

Notes	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
<b>Items that may be reclassified subsequently to profit or loss:</b>				
Exchange difference on translating of foreign operation	(3,748)	(2,392)	(648)	1,467
Loss arising from changes in fair value of available-for-sale financial assets	-	(132)	-	(284)
	<b>(3,748)</b>	<b>(2,524)</b>	<b>(648)</b>	<b>1,183</b>
<b>Other comprehensive income/(loss) for the period</b>	<b>(3,748)</b>	<b>(1,748)</b>	<b>(648)</b>	<b>2,431</b>
<b>Total comprehensive income/(loss) for the period</b>	<b>1,752</b>	<b>(265)</b>	<b>5,277</b>	<b>5,528</b>
<b>Profit for the period attributable to:</b>				
- Owners of the Company	4,901	1,483	5,326	3,097
- Non-controlling interest	599	-	599	-
	<b>5,500</b>	<b>1,483</b>	<b>5,925</b>	<b>3,097</b>
<b>Total comprehensive income/(loss) attributable to:</b>				
Owners of the Company	1,237	(265)	4,762	5,528
Non-controlling interest	515	-	515	-
	<b>1,752</b>	<b>(265)</b>	<b>5,277</b>	<b>5,528</b>
<b>Earnings per share attributable to the owners of the Company</b>				
Basic and diluted (HK cents)	<b>0.74</b>	0.22	<b>0.81</b>	0.48

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## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	10	132,242	133,381
Prepaid lease payments		8,386	8,393
Finance assets at fair value through profit or loss		22,305	21,965
Right-of-used asset*		17,716	–
		<b>180,649</b>	163,739
<b>Current assets</b>			
Inventories		149,054	181,837
Trade and bills receivables	11	97,933	62,101
Prepaid lease payments		218	219
Prepayments, deposits and other receivables		75,923	61,530
Amount due from directors		–	2,222
Pledged bank deposits		28,867	30,549
Cash and bank balances		16,693	4,787
		<b>368,688</b>	343,245
<b>Current liabilities</b>			
Trade and bills payables	12	195,724	202,406
Accruals, deposits received and other payables		26,467	25,023
Contract liabilities		34,483	30,446
Bank borrowings		63,456	59,035
Obligations under finance leases	13	1,232	1,648
Lease liabilities**		6,806	–
Tax payables		1,833	1,098
		<b>330,001</b>	319,656
<b>Net current assets</b>		<b>38,687</b>	23,589
<b>Total assets less current liabilities</b>		<b>219,336</b>	187,328

	Notes	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Obligations under finance leases	13	<b>2,060</b>	2,535
Lease liabilities**		<b>10,950</b>	–
Deferred tax liabilities		<b>3,492</b>	3,496
		<b>16,502</b>	6,031
<b>Net assets</b>			
		<b>202,834</b>	181,297
<b>Capital and reserves</b>			
Share capital		<b>6,600</b>	6,600
Reserves		<b>179,459</b>	174,697
<b>Non-controlling interest</b>			
		<b>16,775</b>	–
<b>Total equity attributable to owners of the Company</b>			
		<b>202,834</b>	181,297

\* Included rights-of-used assets recognised upon adoption of HKFRS 16 Leases on 1 January 2019 based on the modified retrospective approach.

\*\* Lease liabilities recognised upon adoption of HKFRS 16 on 1 January 2019 based on the modified retrospective approach.



# UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company						Available-for-sales financial assets reserve	Retained Earnings	Total	Non-controlling interest	Total
	Share capital	Share premium	Other reserve	Surplus reserve	Exchange reserve	Revaluation Surplus reserve					
	HK\$'000	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)	Unaudited
At 1 January 2018	9	-	31,992	2,279	7,043	18,726	66	82,933	143,048	-	143,048
Profit for the period	-	-	-	-	-	-	-	3,097	3,097	-	3,097
Other Comprehensive income for the period	-	-	-	-	1,467	1,248	(284)	-	2,431	-	2,431
Profit and total comprehensive income for the period	-	-	-	-	1,467	1,248	(284)	3,097	5,528	-	5,528
Capitalisation issue	4,611	(4,611)	-	-	-	-	-	-	-	-	-
Placing and public offer of shares upon the listing date on 18 January 2018	1,980	83,160	-	-	-	-	-	-	85,140	-	85,140
Expenses in connection with the issue of shares	-	(19,625)	-	-	-	-	-	-	(19,625)	-	(19,625)
At 30 June 2018	6,600	58,924	31,992	2,279	8,510	19,974	(218)	86,030	214,091	-	214,091
At 1 January 2019	6,600	58,924	31,992	2,959	238	21,345	-	59,239	181,297	-	181,297
Profit and total comprehensive income for the period	-	-	-	-	(564)	-	-	5,326	4,762	515	5,277
Profit and total comprehensive income for the period	-	-	-	-	(564)	-	-	5,326	4,762	515	5,277
Capitalisation issue	-	-	-	-	-	-	-	-	-	-	-
Deemed disposal of interest in a subsidiary	-	-	-	-	-	-	-	-	-	16,260	16,260
Transfer to surplus reserve	-	-	-	1,140	-	-	-	(1,140)	-	-	-
At 30 June 2019	6,600	58,924	31,992	4,099	(326)	21,345	-	63,425	186,059	16,775	202,834

Notes:

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

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

- (b) Other reserve represented the difference between the Group's share of nominal values of the paid-up capital of the subsidiary acquired over the Group's cost of acquisition of the subsidiary under common control upon Reorganisation.
- (c) Subsidiaries of the Company established in the PRC shall appropriate 10% of its annual statutory net profit (after offsetting any prior years' losses) to the statutory reserve fund account in accordance with the PRC Company Law. When the balance of such reserve fund reaches 50% of the entity's share capital, any further appropriation is optional. The statutory reserve fund can be utilised to offset prior year's losses or to increase capital after proper approval.
- (d) Exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Hong Kong.
- (e) Revaluation surplus reserve represents the revaluation gains or losses arising on the land and building situated in the PRC, for such reclassifications, the cumulative increase in fair value at the date of reclassification in excess of any previous accumulative depreciation and impairment losses is included in the property revaluation reserve, and will be transferred to retained earnings upon the retirement or disposal of the relevant property.
- (f) Available-for-sale financial assets reserve represents cumulative net change in the fair value of available-for-sale financial assets that have been recognised in other comprehensive income, net of amounts reclassified to the profit or loss when those investments have been disposed of or are determined to be impaired.
- (g) On 27 February 2019, Zioncom (Hong Kong) Technology Limited ("Zioncom Hong Kong"), an indirect wholly owned subsidiary of the Company, entered into the capital contribution agreement ("Agreement") with two investors (the "Investors") in relation to the capital injection ("Capital Injection") of the aggregate amount of US\$2,100,000 in Zioncom (Vietnam) Co., Ltd ("Zioncom Vietnam"). As the completion of the Capital Injection took place on 20 March 2019, the charter capital of Zioncom Vietnam had been increased from US\$5,500,000 to US\$7,600,000. The full amount of the Capital Injection had been contributed in the form of cash by the Investors. On 20 March 2019 completion of the Capital Injection took place pursuant to the Agreement and Zioncom Hong Kong and the Investors hold 72.37%, 19.74% and 7.89% of the equity interest in Zioncom Vietnam, respectively, and Zioncom Vietnam became a non wholly-owned subsidiary of the Company. Details of the above transaction are disclosed in the announcement of the Company dated 27 February 2019.

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	<b>Six months ended 30 June</b>	
	<b>2019</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2018 HK\$'000 (Unaudited)
Net cash used in operating activities	<b>(1,775)</b>	(75,449)
Net cash used in investing activities	<b>(3,843)</b>	(7,462)
Net cash generated from financing activities	<b>17,652</b>	64,783
Net increase/(decrease) in cash and cash equivalents	<b>12,034</b>	(18,128)
Cash and cash equivalents at 1 January	<b>4,787</b>	32,634
Effect of foreign exchange rate changes	<b>(128)</b>	(2,003)
Cash and cash equivalents at 30 June	<b>16,693</b>	12,503

Notes:

## 1. GENERAL INFORMATION

The Company was incorporated in the Cayman Islands under the Companies Law as an exempted company with limited liability on 29 January 2016. The registered office of the Company is located at P.O. Box 1350, Clifton House, 75 Fort Street, Grand Cayman, KYI-1108, Cayman Islands and the principal place of business of the Company is located in Office A, 9/F, Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories, Hong Kong.

The Company's immediate and ultimate holding company is Lincats (BVI) Limited, a company incorporated in the British Virgin Islands ("**BVI**"). Lincats (BVI) Limited is controlled by Mr. Kim Byung Kwon. Lincats (BVI) Limited and Mr. Kim Byung Kwon are referred to as the controlling shareholders ("**Controlling Shareholders**").

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

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

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

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

## 2. REORGANISATION

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

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

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

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

### 3. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results for the six months ended 30 June 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 accounting policies and methods of computation used in the preparation of these condensed consolidated financial statements are consistent with those used in the annual financial statements for the year ended 31 December 2018 except for the adoption of the new and revised IFRS, amendments and Interpretations that are effective for financial period beginning on 1 January 2019 and are relevant to its operations. The adoption of these new/revised IFRS, amendments and interpretations does not result in changes to the Group's accounting policies and has no material effect on the amounts reported for the current or prior period, except below.

#### 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.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2019 have not been audited by the Company's auditors but have been reviewed by the audit committee of the Company.

### 4. SEGMENT INFORMATION

During the six months ended 30 June 2019 and 2018, the Group operates in one operating segment which is the manufacturing and sales of electronic networking products. A single management team reports to the Directors of the Group (being the chief operating decision-maker) who comprehensively manages the entire business. Accordingly, the Group does not present separately segment information.

## Geographical information

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

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Korea	113,166	96,591	199,619	197,397
The People's Republic of China (the "PRC")	9,182	7,226	18,102	10,816
Vietnam	7,916	7,546	13,569	18,664
Other Asia (excluding Korea, the PRC and Vietnam)	3,673	28,011	67,319	59,520
Europe	14,242	4,885	26,501	10,999
South America	197	142	1,821	504
Africa	992	1,661	1,642	2,307
North America	13,381	10,239	609	10,869
Central America	-	-	656	-
	<b>162,749</b>	156,301	<b>329,838</b>	311,076

## Information about major customers

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

	For the three months ended 30 June		For the six months ended 30 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)
Customer A (Note i)	89,902	80,217	157,093	170,030

Note:

- (i) Revenue from manufacturing and trading of networking products including routers, switches and LAN cards.

## 5. REVENUE

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

## 6. FINANCE COSTS

	For the three months ended 30 June		For the six months ended 30 June	
	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	273	1,016	1,255	2,014
Interest expenses on obligations under finance leases	55	77	275	142
Lease liabilities	608	-	608	-
	<b>936</b>	<b>1,093</b>	<b>2,138</b>	<b>2,156</b>

## 7. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	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	-	(1,089)	-	64
– Other than Hong Kong	606	1,448	1,140	1,448
Over-provision in prior years	-	-	-	(109)
	<b>606</b>	<b>359</b>	<b>1,140</b>	<b>1,403</b>
Deferred taxation:				
Charged/(credited) for the period	-	-	-	-
	<b>606</b>	<b>359</b>	<b>1,140</b>	<b>1,403</b>

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

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 six months ended 30 June 2019 and 2018, according to the New PRC Enterprise Income Tax Law.

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

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

## 8. DIVIDEND

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

## 9. EARNINGS PER SHARE

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

	For the three months ended 30 June		For the six months ended 30 June	
	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	4,901	1,483	5,326	3,097
Number of shares				
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	660,000,000	660,000,000	660,000,000	641,403,315

The calculation of basic earnings per share for the six months ended 30 June 2019 is based on the profit attributable to the owners of the Company for the six months ended 30 June 2019 of approximately HK\$5,326,000 and 660,000,000 weighted average number of ordinary shares in issue during the six months ended 30 June 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 six months ended 30 June 2019 and 2018.

## 10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2019, the Group acquired and disposed property, plant and equipment of approximately HK\$6,094,000 and 1,414,000, respectively. (For the six months ended 30 June 2018: HK\$7,925,000 and nil, respectively).

## 11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2019 HK\$'000 (Unaudited)	As at 31 December 2018 HK\$'000 (Audited)
Trade receivables	105,225	69,346
Less: Allowance for credit risk	(7,494)	(7,267)
	97,731	62,079
Bills receivables	202	22
	97,933	62,101



The following is an ageing analysis of trade receivables based on the invoice date at the end of the reporting period:

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Within 30 days	<b>59,729</b>	10,260
31 to 60 days	<b>9,609</b>	9,989
61 to 90 days	<b>6,058</b>	2,483
91 to 180 days	<b>7,240</b>	9,318
Over 180 days	<b>15,095</b>	30,029
	<b>97,731</b>	62,079

The Group generally allows an average credit period range from 30 to 180 days to its customers. Receivables that were neither past due nor impaired related to customers for whom there was no default. Receivables that were past due but not impaired related to customers that have good creditworthiness. Based on past experience, the management considered no impairment is necessary as there has not been a significant change in credit quality of these balances, which are still considered fully recoverable.

#### **Ageing analysis of trade receivables which are past due but not impaired**

Trade receivables disclosed above include amounts (see below for ageing analysis) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful debts because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

The following is an ageing analysis of trade receivables of the Group which are past due but not impaired. These related to a number of independent customers for whom there is no recent history of default.

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Within 30 days	<b>7,550</b>	6,169
31 to 60 days	<b>5,738</b>	2,298
61 to 90 days	<b>5,167</b>	431
91 to 180 days	<b>999</b>	4,526
Over 180 days	<b>11,706</b>	29,792
	<b>31,160</b>	43,216

## 12. TRADE AND BILLS PAYABLES

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Trade payables	<b>127,232</b>	126,120
Bills payables	<b>68,492</b>	76,286
	<b>195,724</b>	202,406

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

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Within 30 days	<b>62,604</b>	44,234
31 to 60 days	<b>25,900</b>	22,674
61 to 90 days	<b>10,862</b>	15,567
91 to 180 days	<b>22,739</b>	35,541
Over 180 days	<b>5,127</b>	8,104
	<b>127,232</b>	126,120

Bills payables are all mature within 150 days.

## 13. OBLIGATIONS UNDER FINANCE LEASES

The Group lease certain of its property, plant and equipment under finance leases.

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Minimum lease payments under finance leases		
– within one year	<b>1,352</b>	1,781
– in the second to fifth years, inclusive	<b>2,156</b>	2,646
	<b>3,508</b>	4,427
Less: Future finance charges	<b>(216)</b>	(244)
	<b>3,292</b>	4,183

	<b>As at 30 June 2019 HK\$'000 (Unaudited)</b>	As at 31 December 2018 HK\$'000 (Audited)
Present value of minimum lease payments under finance leases		
– within one year	<b>1,232</b>	1,648
– in the second to fifth years, inclusive	<b>2,060</b>	2,535
	<b>3,292</b>	4,183
Less: Amount due for settlement within one year	<b>(1,232)</b>	(1,648)
Amount due for settlement after one year	<b>2,060</b>	2,535

#### 14. SHARE CAPITAL

	<b>Number of Shares</b>	<b>Amount HK\$</b>
<b>Authorised:</b>		
Ordinary share of HK\$0.01 each as at 31 December 2018 and 30 June 2019	50,000,000,000	500,000,000
<b>Issued and fully paid:</b>		
As at 31 December 2018 and 1 January 2019	858,000	8,580
Capital issue (Note a)	461,142,000	4,611,420
Placing and public offer of share upon the listing date on 18 January 2018 (Note a)	198,000,000	1,980,000
As at 30 June 2019	660,000,000	6,600,000

Note:

- (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.

## 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\$15.1 million and HK\$8.6 million respectively for the six months ended 30 June 2019, which in aggregate contributed approximately 7.2% 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 third and fourth quarter of 2019. The new products include IP cameras, and 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 keep delivering innovative technology for our customers.

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

### **FINANCIAL REVIEW**

For the six months ended 30 June 2019, the Group recorded revenue of approximately HK\$329.8 million, representing an increase of approximately 6.0% comparing with that of approximately HK\$311.1 million for the six months ended 30 June 2018.

The increase was mainly due to the increase of orders from Korea customers during the six months ended 30 June 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 six months ended 30 June 2019, the Group's gross profit decreased by approximately 6.8% from approximately HK\$57.7 million for the six months ended 30 June 2018 to approximately HK\$53.7 million for the six months ended 30 June 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 9% from approximately HK\$253.4 million for the six months ended 30 June 2018 to approximately HK\$276.1 million for the six months ended 30 June 2019.

The gross profit margin decreased from approximately 18.5% for the six months ended 30 June 2018 to 16.3% for the six months ended 30 June 2019. The decrease of gross profit margin was mainly due to larger increment in costs of material and direct labour compared to the increase in revenue.

## **Selling and distribution expenses**

Selling and distribution expenses slightly decreased by approximately 6.5% from approximately HK\$9.6 million for the six months ended 30 June 2018 to approximately HK\$8.9 million for the six months ended 30 June 2019, which was mainly due to the aggregate decrease in the selling and distribution expenses incurred by the Group's subsidiary in Vietnam.

## **Administrative expenses**

Administrative expenses remained steady at approximately HK\$30.2 million for the six months ended 30 June 2018 and approximately HK\$29.5 million for the six months ended 30 June 2019, which was mainly due to the stable staff costs and staff welfare expenses, directors' remuneration and consultation services fee for a listed company (e.g. legal advisor and compliance advisor) during the period.

## **Research and development expenses**

Research and development expenses decreased by approximately 4.0% from approximately HK\$12.9 million for the six months ended 30 June 2018 to approximately HK\$12.4 million for the six months ended 30 June 2019, which was mainly due to the decrease in employee expenses.

## **Finance costs**

Finance costs decrease by approximately 0.8% from approximately HK\$2.2 million for the six months ended 30 June 2018 to approximately HK\$2.1 million for the six months ended 30 June 2019, which was mainly due to the decrease of interest expenses on bank borrowings which decrease approximately HK\$0.7 million from approximately HK\$2.0 million for the six months ended 30 June 2018 to approximately HK\$1.3 million for the six months ended 30 June 2019 as two finance leases amounting to approximately HK\$0.5 million in total were fully settled during the six months ended 30 June 2019, and a new bank loan was obtained on 31 May 2019.

## **Profit for the period**

As a result of the foregoing, the profit increased by approximately 91.3% from approximately HK\$3.1 million for the six months ended 30 June 2018 to approximately HK\$5.9 million for the six months ended 30 June 2019.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2019, total borrowings of the Group amounted to approximately HK\$66.7 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 June 2019, the cash and bank balances and pledged bank deposit of the Group amounted to approximately HK\$45.6 million (As at 31 December 2018: approximately HK\$35.3 million).

As at 30 June 2019, debt to equity ratio of the Group was 10.5% (As at 31 December 2018: 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 year. Current ratio as at 30 June 2019 was approximately 1.1 time (As at 31 December 2018: approximately 1.1 time).

As at 30 June 2019, gearing ratio of the Group was 32.9% (As at 31 December 2018: 34.9%). Gearing ratio is calculated based on total debt for the financial year divided by total equity as of the end of the financial year.

The Group maintained sufficient working capital as at 30 June 2019 with cash and bank balances of approximately HK\$16.7 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 June 2019, the Group's net current assets amounted to approximately HK\$38.7 million (As at 31 December 2018: net current assets 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 Company's 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 June 2019, the Group did not have any significant contingent liabilities (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 June	
	2019 HK\$'000 (Unaudited)	2018 HK\$'000 (Audited)
Acquisition of property, plant and equipment	–	11,494

## PLEDGE OF ASSETS

As at 30 June 2019, bank deposits of approximately HK\$28.9 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 other financial assets with a carrying amount of approximately HK\$22.3 million (As at 31 December 2018: approximately HK\$22 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 United States dollars ("USD"), Renminbi ("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.

As at 30 June 2019, the Group did not have a foreign currency hedging policy. However, the management will continue to closely monitor the Group's foreign exchange exposure and will consider hedging significant foreign currency risk should the need arise.

## SIGNIFICANT INVESTMENTS HELD

During the six months ended 30 June 2019, there were financial assets at fair value through profit or loss held by the Group. As at 30 June 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.

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

During the six months ended 30 June 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 AND EMOLUMENT POLICIES**

The Group had 945 employees (including Directors) as at 30 June 2019 (As at 30 June 2018: 1,053 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.

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

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

## COMPARISON OF BUSINESS PLAN WITH ACTUAL BUSINESS PROGRESS

The following is a comparison of the Group's business plan as set out in the Prospectus with actual business progress up to 30 June 2019.

### **Business implementation plan as set out in Prospectus**

### **Actual progress up to 30 June 2019**

#### ***Increasing the market penetration of our branded products in emerging markets in Asia and other markets with good potential***

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>- To maintain the four salespersons hired for exploring emerging markets in Asia</li><br/><li>- To organise overseas promotion campaign and to place advertisements in both printed and online media</li></ul> | <ul style="list-style-type: none"><li>- The Group has maintained four salespersons in Taiwan and one salesperson in Malaysia for exploring emerging markets in Asia</li><br/><li>- The Group has organised overseas promotion campaigns and placed advertisements in both printed and online media</li></ul> |
|--|--|

#### ***Introducing automation system to our Shajing production facilities for lowering our production costs***

- |  |  |
|--|--|
| <ul style="list-style-type: none"><li>- To acquire six solder pasting inspection machines, twelve automatic insertion machines, thirteen automatic testing machines and one manufacturing execution system</li></ul> | <ul style="list-style-type: none"><li>- The Group has acquired 1 solder pasting inspection machine and 5 automatic testing machines</li><br/><li>- For the remaining proposed acquisition of machineries, the Company is currently obtaining quotations and implementing the selection procedure</li></ul> |
|--|--|

## **Business implementation plan as set out in Prospectus**

## **Actual progress up to 30 June 2019**

### ***Enlarging our research and development capacity***

- To maintain the six software developers hired for enhancing our software research and development capacity
- To maintain the three hardware developers hired for enhancing our hardware research and development capacity
- The Group has maintained twenty-four software developers hired for enhancing our software research and development capacity
- The Group has maintained five hardware developers hired for enhancing our research and development capacity

### ***Reducing our gearing ratio by repaying finance lease facilities***

- To reduce our gearing ratio by repaying finance lease facilities
- The Group has repaid approximately HK\$3.4 million finance lease liabilities

## **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.

## CORPORATE GOVERNANCE AND OTHER INFORMATION

### 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 Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

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

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

Note:

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

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

Name of Directors	Name of associated corporation	Capacity	No. share(s) held	Percentage of issued share capital
Mr. Kim Byung Kwon	Lincats	Beneficial owner	818	81.8%
Mr. Kim Jun Yeob	Lincats	Beneficial owner	91	9.1%
Mr. Koo Ja Chun	Lincats	Beneficial owner	91	9.1%

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executive of the Company had any interest or short position in Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 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
Lincats	Long position	Beneficial owner	462,000,000	70%

Save as disclosed above, as at the date of this report, the Directors were not aware of any other persons/entities (other than the Directors and chief executives of the Company) who had interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## SHARE OPTION SCHEME

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

Save as disclosed in this report, at no time during the six months ended 30 June 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 or at the six months ended 30 June 2019.

## **DIRECTORS' INTERESTS IN COMPETING BUSINESS**

For the six months ended 30 June 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 six months ended 30 June 2019.

## **INTERESTS OF COMPLIANCE ADVISER**

As notified by the Company's compliance adviser, Lego Corporate Finance Limited (the "**Compliance Adviser**"), save for the Compliance Adviser's agreement entered into between the Company and the Compliance Adviser dated 22 June 2017, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 June 2019.

## CONNECTED TRANSACTIONS

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

## CORPORATE GOVERNANCE

During the six months ended 30 June 2019, 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, except for the deviations as stated in the first quarterly report of the Company for the three months ended 31 March 2019.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float under the GEM Listing Rules since the Listing Date and up to the latest practicable date prior to the issue of this report.

## COMPLIANCE WITH THE CODE OF CONDUCT FOR 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 “**Model Code**”) as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required Standard of Dealings for the six months ended 30 June 2019 and up to the date of this report.

Pursuant to Rule 5.66 of the GEM Listing Rules, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Model Code as if he/she was a Director.

## DIVIDENDS

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

## EVENTS AFTER THE REPORTING PERIOD

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

## **Agreement in relation to the sale and purchase of shares in the Company and possible mandatory unconditional cash offer to acquire all of the issued shares of the Company**

On 12 July 2019 (after trading hours), Lincats (the “**Vendor**”), Absolute Skill Holdings Limited (the “**Offeror**”), Mr. Kim Byung Kwon as the Vendor guarantor and Ms. Sui Xiaohe as the Offeror guarantor entered into the sale and purchase agreement, pursuant to which the Vendor has conditionally agreed to sell and the Offeror has 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 shall be the sum of HK\$73,200,000, representing approximately HK\$0.27727 per Sale Share, which shall be payable by the Offeror to the Vendor in cash. Please refer to the Company’s announcement dated 22 July 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.

Two Compliance Committee meetings were held for the six months ended 30 June 2019. The attendances of each Compliance Committee member are set out as follows:

	<b>Number of meetings attended/ eligible to attend</b>
<b>Executive Director</b>	
Mr. Kim Jun Yeob	2/2
<b>Independent Non-executive Directors</b>	
Mr. Shin Dongmin	2/2
Mr. Kwong Chun Man ( <i>appointed with effect from 26 June 2019</i> )	0/0
Mr. Yiu Kwing Sum ( <i>resigned with effect from 1 April 2019</i> )	1/1
Mr. Ko Ming Tung, Edward ( <i>Chairman</i> )	2/2



The major works performed by the Compliance Committee for the six months ended 30 June 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 six months ended 30 June 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 six months ended 30 June 2019 on 14 August 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 August 2019

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

*This report will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Listed 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](http://www.zioncom.net).*