



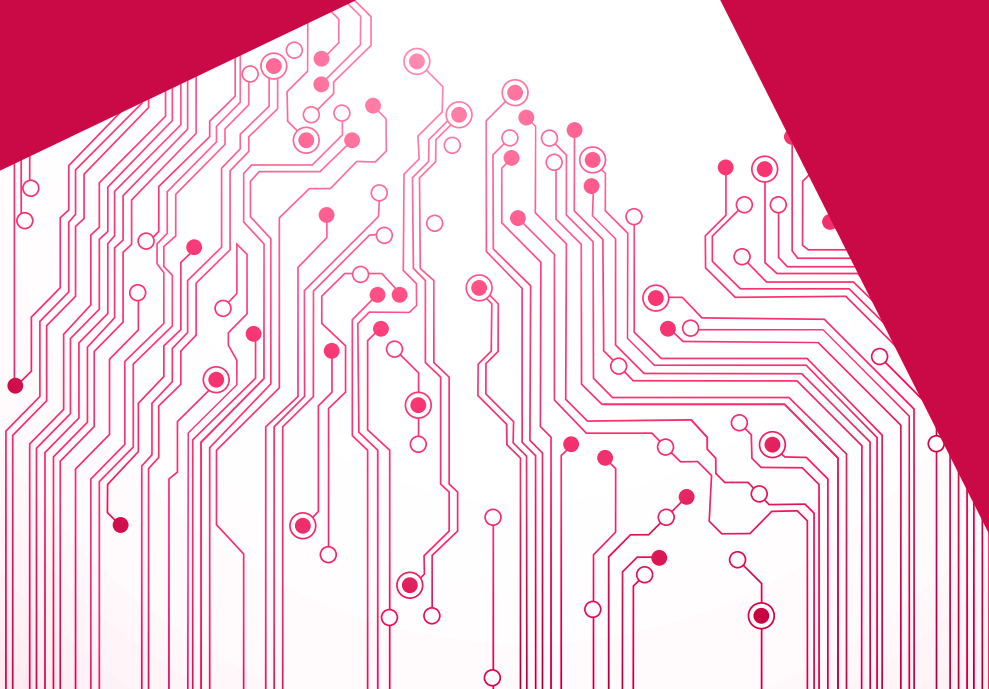
Zioncom Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

Stock code: 8287

INTERIM 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.

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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. Kim Kwang Hyun (金廣鉉先生)
Mr. Oh Sung Jin (吳成鎮先生)
Mr. Yiu Kwing Sum (姚炯深先生)
Mr. Ko Ming Tung, Edward (高明東先生)

COMPANY SECRETARY

Mr. Lee Pui Chung (李沛聰先生)

AUTHORISED REPRESENTATIVES

Mr. Kim Jun Yeob (金俊燁先生)
Mr. Lee Pui Chung (李沛聰先生)

COMPLIANCE OFFICER

Mr. Kim Jun Yeob (金俊燁先生)

AUDIT COMMITTEE

Mr. Yiu Kwing Sum (姚炯深先生)
(Chairman)
Mr. Kim Kwang Hyun (金廣鉉先生)
Mr. Oh Sung Jin (吳成鎮先生)
Mr. Ko Ming Tung, Edward (高明東先生)

REMUNERATION COMMITTEE

Mr. Oh Sung Jin (吳成鎮先生) (Chairman)
Mr. Kim Kwang Hyun (金廣鉉先生)
Mr. Kim Jun Yeob (金俊燁先生)

NOMINATION COMMITTEE

Mr. Kim Kwang Hyun (金廣鉉先生)
(Chairman)
Mr. Koo Ja Chun (具滋千先生)
Mr. Oh Sung Jin (吳成鎮先生)

COMPLIANCE COMMITTEE

Mr. Ko Ming Tung, Edward (高明東先生)
(Chairman)
Mr. Kim Jun Yeob (金俊燁先生)
Mr. Kim Kwang Hyun (金廣鉉先生)
Mr. Oh Sung Jin (吳成鎮先生)
Mr. Yiu Kwing Sum (姚炯深先生)

REGISTERED OFFICE IN THE CAYMAN ISLANDS

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HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

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PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor
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PRINCIPAL BANKER

The Hongkong and Shanghai Banking
Corporation Limited

AUDITORS

HLB Hodgson Impey Cheng Limited
31/F, Gloucester Tower, The Landmark,
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HONG KONG LEGAL ADVISER

Stephenson Harwood
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95 Queensway, Hong Kong

COMPLIANCE ADVISER

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

STOCK CODE

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COMPANY'S WEBSITE

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

		For the three months ended 30 June		For the six months ended 30 June	
Notes		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	5	156,301	124,607	311,076	246,422
Cost of sales		(121,159)	(105,515)	(253,394)	(207,902)
Gross profit		35,142	19,092	57,682	38,520
Other income		180	4,763	1,713	5,518
Selling and distribution expenses		(6,825)	(3,776)	(9,609)	(5,941)
Administrative expenses		(18,591)	(14,131)	(30,194)	(23,989)
Research and development expenses		(6,971)	(4,937)	(12,936)	(9,803)
Profit from operations		2,935	1,011	6,656	4,305
Finance costs	6	(1,093)	(322)	(2,156)	(662)
Profit before taxation		1,842	689	4,500	3,643
Taxation	7	(359)	(1,222)	(1,403)	(1,944)
Profit/(loss) for the period		1,483	(533)	3,097	1,699
Other comprehensive income					
<i>Items that will not reclassified to profit or loss:</i>					
Surplus on revaluation of properties		700	654	1,411	1,300
Deferred tax liabilities arising from revaluation of properties		76	(159)	(163)	(282)
		776	495	1,248	1,018

		For the three months ended 30 June		For the six months ended 30 June	
Notes	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	
Items that may be reclassified subsequently to profit or loss:					
Exchange difference on translating of foreign operation	(2,392)	2,348	1,467	3,458	
(Loss)/Gain arising from changes in fair value of available-for-sale financial assets	(132)	55	(284)	108	
	(2,524)	2,403	1,183	3,566	
Other comprehensive income/(loss) for the period	(1,748)	2,898	2,431	4,584	
Total comprehensive income/(loss) for the period	(265)	2,365	5,528	6,283	
Profit/(loss) for the period attributable to the owners of the Company	1,483	(533)	3,097	1,699	
Total comprehensive income/(loss) attributable to owners of the Company	(265)	2,365	5,528	6,283	
Earnings/(loss) per share attributable to the owners of the Company					
Basic and diluted (HK cents)	9	0.22	(0.12)	0.48	0.37

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Non-current assets			
Property, plant and equipment	10	134,604	129,470
Prepaid lease payments		8,612	8,790
Available-for-sale financial assets		6,212	6,505
Other financial assets		15,800	10,088
		165,228	154,853
Current assets			
Inventories		196,549	146,247
Trade and bills receivables	11	86,767	81,170
Prepaid lease payments		222	224
Prepayments, deposits and other receivables		96,947	72,230
Pledged bank deposits		24,583	25,676
Cash and bank balances		12,503	32,634
		417,571	358,181
Current liabilities			
Trade and bills payables	12	269,905	239,860
Accruals, deposits received and other payables		28,469	61,490
Bank borrowings		59,882	57,832
Obligations under finance leases	13	2,226	2,282
Tax payables		1,686	1,069
		362,168	362,533
Net current assets/(liabilities)		55,403	(4,352)
Total assets less current liabilities		220,631	150,501

	Notes	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Non-current liabilities			
	13	3,113	4,187
		3,427	3,266
		6,540	7,453
Net assets			
		214,091	143,048
Capital and reserves			
		6,600	9
		207,491	143,039
Total equity attributable to owners of the Company			
		214,091	143,048

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company								
	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-	Retained Earnings HK\$'000 Unaudited	Total HK\$'000 Unaudited
						Surplus reserve HK\$'000 Unaudited (Note e)	for-sales financial assets reserve HK\$'000 Unaudited (Note f)		
At 1 January 2017	32,001	-	-	2,279	(712)	16,684	(54)	82,213	132,411
Profit for the period	-	-	-	-	-	-	-	1,699	1,699
Other Comprehensive income for the period	-	-	-	-	3,458	1,018	108	-	4,584
Profit and total comprehensive income for the period	-	-	-	-	3,458	1,018	108	1,699	6,283
Effect of reorganisation	(31,992)	-	31,992	-	-	-	-	-	-
At 30 June 2017	9	-	31,992	2,279	2,746	17,702	54	83,912	138,694
At 1 January 2018	9	-	31,992	2,279	7,043	18,726	66	82,933	143,048
Profit for the period	-	-	-	-	-	-	-	3,097	3,097
Other Comprehensive income for the period	-	-	-	-	1,467	1,248	(284)	-	2,431
Profit and total comprehensive income for the period	-	-	-	-	1,467	1,248	(284)	3,097	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
Expenses in connection with the issue of shares	-	(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

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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Net cash (used in)/generated from operating activities	(75,449)	7,330
Net cash used in investing activities	(7,462)	(10,016)
Net cash generated from/(used in) financing activities	64,783	(2,971)
Net decrease in cash and cash equivalents	(18,128)	(5,657)
Cash and cash equivalents at 1 January	32,634	11,870
Effect of foreign exchange rate changes	(2,003)	428
Cash and cash equivalents at 30 June	12,503	6,641

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 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 six months ended 30 June 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 six months ended 30 June 2018 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 2018 and 2017, 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Korea	96,591	71,219	197,397	165,642
The People's Republic of China (the "PRC")	7,226	12,720	10,816	8,972
Vietnam	7,546	7,139	18,664	12,302
Other Asia (excluding Korea, the PRC and Vietnam)	28,011	16,904	59,520	29,733
Europe	4,885	3,168	10,999	8,090
South America	142	2,864	504	4,173
Africa	1,661	650	2,307	2,156
North America	10,239	9,892	10,869	15,303
Central America	-	51	-	51
	156,301	124,607	311,076	246,422

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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Customer A (Note i)	80,217	64,121	170,030	139,763

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	
	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	1,016	241	2,014	512
Interest expenses on obligations under finance leases	77	81	142	150
	1,093	322	2,156	662

7. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	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	(1,089)	–	64	–
– Other than Hong Kong	1,448	1,227	1,448	1,949
Over-provision in prior years	–	–	(109)	–
	359	1,227	1,403	1,949
Deferred taxation:				
Charged/(credited) for the period	–	(5)	–	(5)
	359	1,222	1,403	1,944

Hong Kong Profits Tax is calculated at 16.5% of the estimated assessable profit for the six months ended 30 June 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 had been expired on 18 June 2018, the application of renewal is under processing. By the past experience of management, the application result will be released at the end of 2018.

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

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

8. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2018 (2017: Nil).

9. EARNINGS/(LOSS) 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	
	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)	2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Earnings/(loss) Profit/(loss) for the period attributable to the owners of the Company	1,483	(533)	3,097	1,699
Number of shares Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	660,000,000	462,000,000	641,403,315	462,000,000

The calculation of basic earnings per share for the six months ended 30 June 2018 is based on the profit attributable to the owners of the Company for the six months ended 30 June 2018 of approximately HK\$3,097,000 and 641,403,315 weighted average number of ordinary shares in issue during the six months ended 30 June 2018.

The calculation of basic earnings per share for the six months ended 30 June 2017 is based on the profit attributable to the owners of the Company for the six months ended 30 June 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 six months ended 30 June 2018 and 2017.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group acquired and disposed property, plant and equipment of approximately HK\$7,925,000 and nil, respectively. (For the six months ended 30 June 2017: HK\$17,765,000 and nil, respectively).

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Trade receivables	86,740	81,145
Bills receivables	27	25
	86,767	81,170

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

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Within 30 days	35,287	27,010
31 to 60 days	8,107	18,053
61 to 90 days	7,938	1,909
91 to 180 days	7,989	7,484
Over 180 days	27,419	26,689
	86,740	81,145

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.

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Within 30 days	10,544	7,418
31 to 60 days	8,344	6,173
61 to 90 days	3,429	2,614
91 to 180 days	4,494	2,288
Over 180 days	19,114	20,642
	45,925	39,135

12. TRADE AND BILLS PAYABLES

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Trade payables	203,346	165,440
Bills payables	66,559	74,420
	269,905	239,860

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:

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Within 30 days	99,943	67,164
31 to 60 days	50,043	65,003
61 to 90 days	29,057	20,156
91 to 180 days	20,028	12,079
Over 180 days	4,275	1,038
	203,346	165,440

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.

	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Minimum lease payments under finance leases		
– within one year	2,401	2,506
– in the second to fifth years, inclusive	3,281	4,430
	5,682	6,936
Less: Future finance charges	(343)	(467)
Present value of finance leases	5,339	6,469
	As at 30 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Present value of minimum lease payments under finance leases		
– within one year	2,226	2,282
– in the second to fifth years, inclusive	3,113	4,187
	5,339	6,469
Less: Amount due for settlement within one year	(2,226)	(2,282)
Amount due for settlement after one year	3,113	4,187

14. SHARE CAPITAL

	Number of Shares	Amount HK\$
Authorised:		
Ordinary share of HK\$0.01 each as at 31 December 2017 and 30 June 2018	50,000,000,000	500,000,000
Issued and fully paid:		
As at 31 December 2017 and 1 January 2018	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 2018	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\$17.2 million and HK\$18.7 million respectively for the six months ended 30 June 2018, which in aggregate contributed approximately 9.8% 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 recent trade war between PRC and the United States, products manufactured in PRC are likely to face heavy tariffs in the near future. When this happens, companies with manufacturing line outside of PRC will gain absolute advantage on product prices. The Group have production lines in Vietnam which the Group have the capacity to shift the production activities from PRC to Vietnam. The Group can avoid the heavy tariffs if this really happened. Thus, the Group is expecting more demand will gain in the future under this circumstances.

Future Development

The Group is releasing new products to the market in the forth quarter of 2018. The new products included a series of new AC routers, improved version of existing mesh system and 4G LTE routers.

Our Research and Development team will keep delivering innovative technology for our high-end 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 six months ended 30 June 2018, the Group recorded revenue of approximately HK\$311.1 million, representing an increase of approximately 26.2% comparing with that of approximately HK\$246.4 million for the six months ended 30 June 2017.

The increase was mainly due to the increase of orders from Korea customers during the six months ended 30 June 2018. 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 2018, the Group's gross profit increased by approximately 49.7% from approximately HK\$38.5 million for the six months ended 30 June 2017 to approximately HK\$57.7 million for the six months ended 30 June 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 21.9% from approximately HK\$207.9 million for the six months ended 30 June 2017 to approximately HK\$253.4 million for the six months ended 30 June 2018.

The gross profit margin increased from approximately 15.6% for the six months ended 30 June 2017 to 18.5% for the six months ended 30 June 2018. The increase of gross profit is in line with the increase of revenue.

The increase of gross profit margin was mainly due to the increase of the orders of the high profit margin products made by our major customers and the exchange rate fluctuation between USD and RMB as the management estimated while the currencies 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 61.7% from approximately HK\$5.9 million for the six months ended 30 June 2017 to approximately HK\$9.6 million for the six months ended 30 June 2018, which was mainly due to the aggregate increase in the selling and distribution expenses incurred by the Group's subsidiary in Vietnam and the increase in commission paid of the Group.

Administrative expenses

Administrative expenses increased by approximately 25.9% from approximately HK\$24.0 million for the six months ended 30 June 2017 to approximately HK\$30.2 million for the six months ended 30 June 2018, which was mainly due to the aggregate increase of the staff costs and staff welfare expenses, directors' remuneration and consultation services fee for a listed company (e.g. legal advisor and compliance advisor).

Research and development expenses

Research and development expenses increased by approximately 32.0% from approximately HK\$9.8 million for the six months ended 30 June 2017 to approximately HK\$12.9 million for the six months ended 30 June 2018, which was mainly due to the increase in employee benefit expenses as the number of staff of research and development department increased.

Finance costs

Finance costs increased by approximately 225.7% from approximately HK\$0.7 million for the six months ended 30 June 2017 to approximately HK\$2.2 million for the six months ended 30 June 2018, which was mainly due to the increase of interest expenses on bank borrowings which increased approximately HK\$1.5 million from approximately HK\$0.5 million for the six months ended 30 June 2017 to approximately HK\$2.0 million for the six months ended 30 June 2018 as certain new bank borrowings were obtained after the six months ended 30 June 2017.

Profit for the period

As a result of the foregoing, the profit increased by approximately 82.3% from approximately HK\$1.7 million for the six months ended 30 June 2017 to approximately HK\$3.1 million for the six months ended 30 June 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2018, total borrowings of the Group amounted to approximately HK\$65.2 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 June 2018, the cash and bank balances and pledged bank deposit of the Group amounted to approximately HK\$37.1 million (As at 31 December 2017: approximately HK\$58.3 million).

As at 30 June 2018, debt to equity ratio of the Group was 13.1% (As at 31 December 2017: 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 year. Current ratio as at 30 June 2018 was approximately 1.1 time (As at 31 December 2017: approximately 1.0 time).

As at 30 June 2018, gearing ratio of the Group was 30.5% (As at 31 December 2017: 45.0%). 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 2018 with cash and bank balances of approximately HK\$12.5 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 June 2018, the Group's net current assets amounted to approximately HK\$55.4 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 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 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 June 2018 HK\$'000 (Unaudited)	As at 31 December 2017 HK\$'000 (Audited)
Acquisition of property, plant and equipment	11,494	–

PLEDGE OF ASSETS

As at 30 June 2018, bank deposits of approximately HK\$24.6 million (As at 31 December 2017: approximately HK\$25.7 million), property, plant and equipment with a carrying value of approximately HK\$95.8 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\$15.8 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 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 2018 and 31 December 2017, 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 2018, there were available-for-sale financial assets and other financial assets held by the Group. As at 30 June 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\$15.8 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 six months ended 30 June 2018, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as disclosed in the Prospectus.

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 1,053 employees (including Directors) as at 30 June 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.

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 2018.

Business Implementation plan as set out in Prospectus

Actual progress up to 30 June 2018

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">- To maintain the four salespersons hired for exploring emerging markets in Asia
- To organise overseas promotion campaign and to place advertisements in both printed and online media | <p>The Group has maintaining four staffs in Taiwan for exploring emerging markets in Asia.</p> <p>The Group had organised a few times overseas promotion campaign and to place advertisement in both printed and online media.</p> |
|--|--|

Introducing automation system to our Shajing Production Facilities for lowering our production costs

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

Enlarging our research and development capacity

- | | |
|--|---|
| <ul style="list-style-type: none">- 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 | <p>The Group has maintaining the six software developers hired for enhancing our software research and development capacity.</p> <p>The Group has maintaining the three hardware developers hired for enhancing our hardware research and development capacity.</p> |
|--|---|

Reducing our gearing ratio by repaying finance lease facilities

- | | |
|--|--|
| <ul style="list-style-type: none">- To reduce our gearing ratio by repaying finance lease facilities | <p>The Group had repaid approximately HK\$1.1 million finance lease liabilities.</p> |
|--|--|

USE OF PROCEEDS

The net proceeds from the issue of new shares of the Company 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 in the share capital of the Company at the price of HK\$0.43 per share (the “**Placing and Public offer**”), after deduction of the related underwriting fees and issuance expenses paid by the Company in connection therewith, were approximately HK\$42.5 million (“**Actual Proceeds**”), as compared to the estimated net proceeds of approximately HK\$38.2 million as disclosed in the Prospectus. Differences between the Actual Proceeds of approximately HK\$42.5 million and the estimated net proceeds of approximately HK\$38.2 million were due to the increase of proceeds received from the difference of actual offer price of HK\$0.43 and the budgeted offer price of HK\$0.40 per share in Prospectus. The utilization of net proceeds from the Placing and Public offer is set out below:

	Adjusted allocation of net proceeds as at 18 January 2018	Planned use of proceeds up to 30 June 2018	Actual amount utilized up to 30 June 2018	Actual amount unutilised as at 30 June 2018
Use of net proceeds	HK\$' million	HK\$' million	HK\$' million	HK\$' million
1. To increase market penetration of our Branded Products in emerging markets in Asia and other markets with good potential	3.9	1.0	1.0	2.9
2. To introduce automation system to our Shajing Production Facilities in order to lower our production costs	28.1	18.7	10.2	17.9
3. To enlarge our research and development capacity	4.5	1.1	1.1	3.4
4. To reduce our gearing ratio by repaying finance lease facilities	6.0	6.0	1.1	4.9
Total	42.5	26.8	13.4	29.1

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 2018, 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 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 following is a summary of the principal terms and conditions of the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to reward the Participants (as defined below) who have contributed to the Group and to encourage the Participants to work towards enhancing the value of the Company and the Shares for the benefit of the Company and its shareholders as a whole.

2. Who may join

The Directors may, at their discretion, invite directors (including executive Directors, non-executive Directors and independent non-executive Directors) and employees of the Group and any advisors, consultants, distributors, contractors, suppliers, agents, customers, partners, joint venture business partners, promoters or service providers of any member of the Group who the Board considers, in its sole discretion, have contributed or will contribute to the Group (the "**Participants**") to take up options at the subscription price.

3. Grant and Acceptance of Option

An offer shall remain open for acceptance by the Participant concerned for a period of 28 days from the date of grant provided that no such offer shall be open for acceptance after the expiry of the option period or after the Share Option Scheme is terminated or after the Participant has ceased to be a Participant.

The offer shall specify the terms on which the option is granted. At the discretion of the Board, such terms may include, among other things, the minimum period for which an option must be held before it can be exercised.

A consideration of HK\$1.00 is payable to the Company by the Participant who accepts an offer (the "**Grantee**") for each acceptance of grant of option(s) and such consideration is not refundable.

4. Subscription Price of Shares

The subscription price shall be determined by the Board in its absolute discretion but in any event shall not be less than the higher of:

- (a) the closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange on the date of grant which must be a business day;
- (b) the average closing price of the Shares as stated in the daily quotations sheets issued by the Stock Exchange for the five business days immediately preceding the date of grant; and
- (c) the nominal value of the Shares.

5. Maximum number of Shares

The maximum number of Shares which may be issued upon exercise of all options to be granted under the Share Option Scheme and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% in nominal amount of the aggregate of Shares in issue on the Listing Date, i.e. 66,000,000 Shares (the "**Scheme Mandate Limit**"). Options lapsed in accordance with the terms of the Share Option Scheme and (as the case may be) such other share option schemes of the Company will not be counted for the purpose of calculating the Scheme Mandate Limit.

The maximum number of Shares issued and to be issued upon exercise of the options granted to each Grantee under the Share Option Scheme (including both exercised and outstanding options) in any 12-month period shall not (when aggregated with any Shares subject to options granted during such period under any other share option scheme(s) of the Company other than those options granted pursuant to specific approval by the shareholders in a general meeting) exceed 1% of the shares in issue for the time being.

6. Time of exercise of Option

An option may be exercised in accordance with the terms of the Share Option Scheme at any time during the option period. Options granted during the life of the Share Option Scheme shall continue to be exercisable in accordance with their terms of grant after the end of the ten-year period.

7. Period of Share Option Scheme

The Share Option Scheme was adopted for a period of ten years commencing from 18 December 2017.

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 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

Save as disclosed in this interim report, at no time during the six months ended 30 June 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 or at the six months ended 30 June 2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 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 date of Listing on 18 January 2018, 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 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 June 2018.

CONNECTED TRANSACTIONS

During the six months ended 30 June 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 date of Listing on 18 January 2018, 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 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 from the date of Listing on 18 January 2018 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 2018 (2017: Nil).

EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred since the six months ended 30 June 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 at least 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.

Two Compliance Committee meetings were held for the six months ended 30 June 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	2/2
Independent Non-executive Directors	
Mr. Kim Kwang Hyun	2/2
Mr. Oh Sung Jin	2/2
Mr. Yiu Kwing Sum	2/2
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 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 six months ended 30 June 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 six months ended 30 June 2018 on 10 August 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, 10 August 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.

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