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ZIONCOM HOLDINGS LIMITED

百家淘客股份有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 8287)

INTERIM RESULTS ANNOUNCEMENT FOR THE SIX MONTHS ENDED 30 JUNE 2020

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.

*This announcement, 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 announcement 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 announcement misleading.*

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

The board (the “**Board**”) of Directors of the Company presents the unaudited condensed consolidated results of the Company and its subsidiaries (collectively the “**Group**”) for the three months and six months ended 30 June 2020, together with the unaudited comparative figures for the same corresponding period in 2019.

		For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
	Notes	HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	5	239,608	162,749	381,152	329,838
Cost of sales		(214,261)	(129,769)	(339,645)	(276,087)
Gross profit		25,347	32,980	41,507	53,751
Other income		4,271	706	6,568	6,308
Change in fair value of financial assets		384	314	(36)	314
Net reversal/(allowance) for impairment losses in respect of trade receivables, deposit and other receivable		(165)	(242)	(165)	(242)
Selling and distribution expenses		(4,137)	(4,793)	(6,439)	(8,990)
Administrative expenses		(12,873)	(16,090)	(25,002)	(29,524)
Research and development expenses		(9,227)	(5,833)	(14,105)	(12,414)
Profit from operations		3,600	7,042	2,328	9,203
Finance costs	6	(1,508)	(936)	(2,615)	(2,138)
(Loss)/profit before taxation		2,092	6,106	(287)	7,065
Taxation	7	(756)	(606)	(836)	(1,140)
(Loss)/profit for the period		1,336	5,500	(1,123)	5,925

		For the three months ended 30 June		For the six months ended 30 June	
		2020	2019	2020	2019
Notes		HK\$'000	HK\$'000	HK\$'000	HK\$'000
		(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Other comprehensive income					
<i>Items that will not reclassified to profit or loss:</i>					
Surplus on revaluation of properties		-	-	-	-
Deferred tax liabilities arising from revaluation of properties		-	-	-	-
		-	-	-	-
<i>Items that may be reclassified subsequently to profit or loss:</i>					
Exchange difference on translating of foreign operation		(2,798)	(3,748)	(6,033)	(648)
		(2,798)	(3,748)	(6,033)	(648)
Other comprehensive loss for the period		(2,798)	(3,748)	(6,033)	(648)
Total comprehensive (loss)/income for the period		(1,462)	1,752	(7,156)	5,277
(Loss)/profit for the period attributable to:					
- Owners of the Company		(2,250)	4,901	(4,233)	5,326
- Non-controlling interest		3,586	599	3,110	599
		1,336	5,500	(1,123)	5,925
Total comprehensive (loss)/income attributable to:					
- Owners of the Company		(4,468)	1,237	(10,053)	4,762
- Non-controlling interest		3,006	515	2,897	515
		(1,462)	1,752	(7,156)	5,277
(Loss)/earnings per share attributable to the owners of the Company					
Basic and diluted (<i>HK cents</i>)	9	(0.34)	0.74	(0.64)	0.81

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current assets			
Property, plant and equipment	<i>10</i>	130,988	132,317
Right-of-used asset		19,496	23,118
Finance assets at fair value through profit or loss		16,937	16,982
Prepayments		–	5,640
		167,421	178,057
Current assets			
Inventories		167,344	165,960
Trade and bills receivables	<i>11</i>	58,470	57,993
Prepayments, deposits and other receivables		40,347	35,667
Amount due from directors		–	2,053
Tax recoverable		897	–
Pledged bank deposits		23,545	25,580
Cash and bank balances		18,069	25,925
		308,672	313,178
Current liabilities			
Trade and bills payables	<i>12</i>	188,744	173,045
Accruals, deposits received and other payables		16,463	15,775
Contract liabilities		21,495	39,565
Bank borrowings		70,960	71,614
Lease liabilities/obligations under finance leases	<i>13</i>	7,664	8,156
Amount due to a shareholder		–	1,081
Tax payables		835	1,333
		306,161	310,569
Net current assets		2,511	2,069
Total assets less current liabilities		169,932	180,666

		As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
	<i>Notes</i>		
Non-current liabilities			
Lease liabilities/obligations under finance leases	13	5,798	9,310
Deferred tax liabilities		3,853	3,919
		<u>9,651</u>	<u>13,229</u>
Net assets		<u>160,281</u>	<u>167,437</u>
Capital and reserves			
Share capital		6,600	6,600
Reserves		141,758	151,811
		<u>11,923</u>	<u>9,026</u>
Non-controlling interest		<u>11,923</u>	<u>9,026</u>
Total equity attributable to owners of the Company		<u>160,281</u>	<u>167,437</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Non-controlling interest		Total
	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 surplus reserve HK\$'000 Unaudited (Note e)	Retained Earnings HK\$'000 Unaudited	Total HK\$'000 Unaudited	Non-controlling interest HK\$'000 Unaudited	Total HK\$'000 Unaudited
At 1 January 2019	6,600	58,924	31,992	2,959	238	21,345	59,239	181,297	–	181,297
Profit for the year	–	–	–	–	–	–	5,326	5,326	599	5,925
Other comprehensive income for the period	–	–	–	–	(564)	–	–	(564)	(84)	(648)
Profit and total comprehensive income for the period	–	–	–	–	(564)	–	5,326	4,762	515	5,277
Deemed disposal of interest in a subsidiary	–	–	–	–	–	–	–	–	16,260	16,260
Transfer to surplus reserve	–	–	–	1,140	–	–	(1,140)	–	–	–
At 30 June 2019	<u>6,600</u>	<u>58,924</u>	<u>31,992</u>	<u>4,099</u>	<u>(326)</u>	<u>21,345</u>	<u>63,425</u>	<u>186,059</u>	<u>16,775</u>	<u>202,834</u>
At 1 January 2020	6,600	58,924	39,551	4,325	(6,381)	23,900	31,492	158,411	9,026	167,437
Profit for the period	–	–	–	–	–	–	(4,233)	(4,233)	3,110	(1,123)
Other comprehensive income for the period	–	–	–	–	(5,820)	–	–	(5,820)	(213)	(6,033)
Loss and total comprehensive income for the period	–	–	–	–	(5,820)	–	(4,233)	(10,053)	2,897	(7,156)
Transfer to surplus reserve	–	–	–	823	–	–	(823)	–	–	–
At 30 June 2020	<u>6,600</u>	<u>58,924</u>	<u>39,551</u>	<u>5,148</u>	<u>(12,201)</u>	<u>23,900</u>	<u>26,436</u>	<u>148,358</u>	<u>11,923</u>	<u>160,281</u>

Notes:

- (a) Share premium represented the excess of share issue over the par value.
- (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.

On 20 March 2019, the Group deemed disposal 27.63% equity interests of Zioncom Vietnam, an indirect wholly owned subsidiary of the Company, by way of increasing the registered capital of Zioncom Vietnam from US\$5,500,000 to US\$7,600,000. The non-controlling interests of Zioncom Vietnam agreed to pay US\$2,100,000 for the increase capital of Zioncom Vietnam. The Group recognised an increase in other reserve of approximately HK\$7,559,000.

- (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.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 30 June	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Unaudited)
Net cash generated from/(used in) operating activities	10,216	(1,775)
Net cash used in investing activities	(7,896)	(3,843)
Net cash (used in)/generated from financing activities	(7,454)	17,652
Net (decrease)/increase in cash and cash equivalents	(5,134)	12,034
Cash and cash equivalents at 1 January	25,923	4,787
Effect of foreign exchange rate changes	(2,720)	(128)
Cash and cash equivalents at 30 June	18,069	16,693

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 companies are Lincats (BVI) Limited, a company incorporated in the British Virgin Islands ("**BVI**"), and Absolute Skill Holdings Limited ("**Absolute Skill**"), an investment holding company incorporated in Samoa with limited liability. Lincats (BVI) Limited is controlled by Mr. Kim Byung Kwon, an executive director of the Company. Absolute Skill is wholly-owned by Ms. Sui Xiaohu, who is also its director.

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 2019 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.

The unaudited condensed consolidated financial statements of the Group for the six months ended 30 June 2020 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 2020 and 2019, 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	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Korea	126,610	113,166	207,490	199,619
The People's Republic of China (the "PRC")	934	9,182	1,398	18,102
Vietnam	20,398	7,916	28,420	13,569
Other Asia (excluding Korea, the PRC and Vietnam)	83,410	3,673	128,906	67,319
Europe	5,452	14,242	8,063	26,501
South America	1,847	197	2,800	1,821
Africa	454	992	476	1,642
North America	503	13,381	1,697	609
Central America	—	—	1,902	656
	<u>239,608</u>	<u>162,749</u>	<u>381,152</u>	<u>329,838</u>

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Customer A (<i>Note i</i>)	108,563	89,902	184,705	157,093

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	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Interest expenses on bank borrowings wholly repayable within five years	1,279	273	2,131	1,255
Interest expenses on lease liabilities/ obligations under finance leases	229	663	484	883
	1,508	936	2,615	2,138

7. TAXATION

	For the three months ended 30 June		For the six months ended 30 June	
	2020	2019	2020	2019
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current taxation:				
Provision for the period				
– Hong Kong Profits Tax	–	–	–	–
– Other than Hong Kong	756	606	836	1,140
	<u>756</u>	<u>606</u>	<u>836</u>	<u>1,140</u>
	<u><u>756</u></u>	<u><u>606</u></u>	<u><u>836</u></u>	<u><u>1,140</u></u>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2 million of assessable profits of qualifying corporations will be taxed at 8.25%, and assessable profits above HK\$2 million will be taxed at 16.5%. The assessable profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The two-tiered profits tax rates regime is applicable to the Group for the six months ended 30 June 2020 and 2019.

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 2020 and 2019, 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 2020 and 2019.

Vietnam Corporate Income Tax is calculated at 20% of the estimated assessable profit for the six months ended 30 June 2020 and 2019. No provision of Profits Tax for the subsidiary in Vietnam has been recognised as there are sufficient unused tax losses to utilize the assessable profits for the six months ended 30 June 2020. There were no assessable profit for the six months ended 30 June 2019.

Malaysia Corporate Income Tax is calculated at 17% on the first MYD500,000 and 24% for remaining estimated assessable profit for the year ended 31 December 2019. No provision of Corporate Income Tax for the subsidiary in Malaysia has been recognised as no assessable profit for the six months ended 30 June 2020.

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 2020 and 2019.

8. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2020 (2019: Nil).

9. (LOSS)/EARNINGS PER SHARE

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

	For the three months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)		For the six months ended 30 June 2020 <i>HK\$'000</i> (Unaudited)	
		2019 <i>HK\$'000</i> (Unaudited)		2019 <i>HK\$'000</i> (Unaudited)
(Loss)/profit for the period attributable to the owners of the Company	(2,250)	4,901	(4,233)	5,326
Number of shares				
Weighted average number of ordinary shares in issue	<u>660,000,000</u>	<u>660,000,000</u>	<u>660,000,000</u>	<u>660,000,000</u>

The calculation of basic earnings per share for the six months ended 30 June 2020 is based on the (loss)/profit attributable to the owners of the Company for the six months ended 30 June 2020 of approximately HK\$4,233,000 and 660,000,000 weighted average number of ordinary shares in issue during the six months ended 30 June 2020.

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 2020 and 2019.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2020, the Group acquired and disposed property, plant and equipment of approximately HK\$9,370,000 and Nil, respectively (For the six months ended 30 June 2019: HK\$6,094,000 and HK\$1,414,000, respectively).

11. TRADE AND BILLS RECEIVABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Trade receivables	74,617	74,023
Less: Allowance for credit risk	<u>(16,201)</u>	<u>(16,062)</u>
	58,416	57,961
Bills receivables	<u>54</u>	<u>32</u>
	<u><u>58,470</u></u>	<u><u>57,993</u></u>

As at 30 June 2020, trade receivables from contracts with customers amounted to approximately HK\$58,416,000 (31 December 2019: approximately HK\$57,961,000).

The following is an ageing analysis of trade receivables (net of allowance for expected credit loss) presented based on the invoice date at the end of the reporting period:

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Within 30 days	10,620	16,726
31 to 60 days	7,237	5,309
61 to 90 days	1,034	1,108
91 to 180 days	2,323	8,031
Over 180 days	<u>37,202</u>	<u>26,787</u>
	<u><u>58,416</u></u>	<u><u>57,961</u></u>

The Group generally allows an average credit period range from 30 to 120 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.

Allowance for expected credit loss of HK\$16,201,000 have been recognised for trade receivables as at 30 June 2020 (31 December 2019: HK\$16,062,000).

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the customers from the date that credit was initially granted up to the end of each reporting period. The management also considers the forward-looking information and any change in the expected recovery of the trade receivables.

12. TRADE AND BILLS PAYABLES

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Trade payables	133,455	110,523
Bills payables	55,289	62,522
	<u>188,744</u>	<u>173,045</u>

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 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Within 30 days	71,969	44,946
31 to 60 days	30,590	24,650
61 to 90 days	21,115	13,740
91 to 180 days	6,314	24,783
Over 180 days	3,467	2,404
	<u>133,455</u>	<u>110,523</u>

All bills payable at the end of reporting period are not yet due.

13. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES

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

	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Minimum lease payments under finance leases		
– within one year	8,284	8,882
– in the second to fifth years, inclusive	5,965	9,777
	14,249	18,659
Less: Future finance charges	(787)	(1,193)
Present value of finance leases	13,462	17,466
	As at 30 June 2020 <i>HK\$'000</i> (Unaudited)	As at 31 December 2019 <i>HK\$'000</i> (Audited)
Present value of minimum lease payments under finance leases		
– within one year	7,663	8,156
– in the second to fifth years, inclusive	5,799	9,310
	13,462	17,466
Less: Amount due for settlement within one year	(7,663)	(8,156)
Amount due for settlement after one year	5,799	9,310

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1 January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17.

14. SHARE CAPITAL

	Number of Shares	Amount <i>HK\$</i>
Authorised:		
Ordinary share of HK\$0.01 each as at 31 December 2019, 1 January 2020 and 30 June 2020	50,000,000,000	500,000,000
Issued and fully paid:		
As at 31 December 2019, 1 January 2020 and 30 June 2020	660,000,000	6,600,000

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 many countries and regions including Korea, the PRC, Vietnam, Hong Kong, Taiwan and Malaysia, etc. 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\$17.7 million and HK\$18.6 million respectively for the six months ended 30 June 2020, 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.

The current business environment remains overshadowed by the United States and PRC trade tensions and the recent COVID-19 outbreak in China and the rest of the world. In relation to the COVID-19 outbreak, the expectation is for a temporary but significant disruption in the near-term. The speed of recovery and the extent of any long term impact remain uncertain but will depend on the duration and severity of the outbreak and associated containment measures. Despite this, the Group will continue to pursue and maintain a conservative but proactive investment approach, focusing on product innovation, market share gain, geographical expansion and operational excellence, so as to bring better returns for the shareholders and ensure the Company stays competitive in the market.

Future Development

The Group is expected to release new products to the market in the third and fourth quarter of 2020. The new products will include improved versions of existing AC routers and T-Mesh systems.

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 2020, the Group recorded revenue of approximately HK\$381.2 million, representing an increase of approximately 15.6% comparing with that of approximately HK\$329.8 million for the six months ended 30 June 2019.

The increase was mainly due to the increase of orders from the Group's customers located in Korea and other Asian countries during the six months ended 30 June 2020. 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 2020, the Group's gross profit decreased by approximately 22.7% from approximately HK\$53.7 million for the six months ended 30 June 2019 to approximately HK\$41.5 million for the six months ended 30 June 2020. 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 23.0% from approximately HK\$276.1 million for the six months ended 30 June 2019 to approximately HK\$339.7 million for the six months ended 30 June 2020.

The gross profit margin decreased from approximately 16.3% for the six months ended 30 June 2019 to 10.89% for the six months ended 30 June 2020. 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 decreased by approximately 28.1% from approximately HK\$8.9 million for the six months ended 30 June 2019 to approximately HK\$6.4 million for the six months ended 30 June 2020, which was mainly due to the aggregate decrease in the selling and distribution expenses incurred by the Group's subsidiary in PRC.

Administrative expenses

Administrative expenses decreased by approximately 15.3% from approximately HK\$29.5 million for the six months ended 30 June 2019 to approximately HK\$25.0 million for the six months ended 30 June 2020, which was mainly due to aggregate decrease of the staff costs and staff welfare expenses. The reason of a decrease was mainly attributable to more staff recruited in Vietnam where the average staff costs were lower during the period.

Research and development expenses

Research and development expenses increased by approximately 13.7% from approximately HK\$12.4 million for the six months ended 30 June 2019 to approximately HK\$14.1 million for the six months ended 30 June 2020, which was mainly due to the increase in spending in research and development activities for product development.

Finance costs

Finance costs increased by approximately 23.8% from approximately HK\$2.1 million for the six months ended 30 June 2019 to approximately HK\$2.6 million for the six months ended 30 June 2020, which was mainly due to the increase of interest expenses on bank borrowings which increased by approximately HK\$0.8 million from approximately HK\$1.3 million for the six months ended 30 June 2019 to approximately HK\$2.1 million for the six months ended 30 June 2020. The increase was mainly due to new bank loans raised by the Group in the fourth quarter of 2019 and the current period.

Loss/profit for the period

As a result of the foregoing, the loss for six months ended 30 June 2020 amounted to approximately HK\$1.1 million, comparing with the profit of approximately HK\$5.9 million for the six months ended 30 June 2019.

The loss for the period is aggregated from the increase in expenses as stated above.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

As at 30 June 2020, total borrowings of the Group amounted to approximately HK\$73.5 million (As at 31 December 2019: approximately HK\$74.5 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 2020, the cash and bank balances and pledged bank deposit of the Group amounted to approximately HK\$41.6 million (As at 31 December 2019: approximately HK\$51.5 million).

As at 30 June 2020, debt to equity ratio of the Group was 26.7% (As at 31 December 2019: 22.4%). 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 2020 was approximately 1.0 time (As at 31 December 2019: approximately 1.0 time).

As at 30 June 2020, gearing ratio of the Group was 45.9% (As at 31 December 2019: 45.2%). 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 2020 with cash and bank balances of approximately HK\$18.1 million (As at 31 December 2019: approximately HK\$25.9 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 2020, the Group's net current assets amounted to approximately HK\$2.5 million (As at 31 December 2019: net current assets approximately HK\$2.6 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 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 2020, the Group did not have any significant contingent liabilities (31 December 2019: 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	
	2020	2019
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(Unaudited)	(Audited)
Authorised and contracted for capital contributions payable to an equity investment	<u>548</u>	<u>557</u>

PLEDGE OF ASSETS

As at 30 June 2020, bank deposits of approximately HK\$23.5 million (As at 31 December 2019: approximately HK\$25.6 million), property, plant and equipment with a carrying value of approximately HK\$90.0 million (As at 31 December 2019: approximately HK\$92.7 million), financial assets at fair value through profit or loss with a carrying amount of approximately HK\$16.4 million (As at 31 December 2019: approximately HK\$16.4 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 2020, 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 2020, there were financial assets at fair value through profit or loss held by the Group.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at the date of this announcement, the Group did not have any other plans for material investments and capital assets except for those disclosed in the section headed “Future Plan and Use of Proceeds” in the Prospectus and the composite document dated 20 September 2019 in relation to the mandatory unconditional cash offer to acquire all the listed shares of the Company.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2020, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 1,126 employees (including Directors) as at 30 June 2020 (As at 30 June 2019: 945 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 2020.

Business implementation plan as set out in Prospectus

Actual progress up to 30 June 2020

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 | <ul style="list-style-type: none">– The Group has maintained 2 salespersons in Taiwan and 2 salespersons in Malaysia for exploring emerging markets in Asia– The Group has organised overseas promotion campaigns and placed advertisements in both printed and online media |
|---|---|

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

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 | <ul style="list-style-type: none">– The Group has maintained the 6 software developers hired for enhancing our software research and development capacity– The Group has maintained the 3 hardware developers hired for enhancing our hardware research and development capacity |
|---|---|

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 | <ul style="list-style-type: none">– The Group has repaid approximately HK\$0.7 million finance lease liabilities |
|--|--|

USE OF PROCEEDS

As of the date of this announcement, 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

As at the date of this announcement, 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 (<i>Note</i>)	198,000,000 ordinary shares	–	198,000,000 ordinary shares	30%

Note:

These 198,000,000 Shares are held by Lincats (BVI) Limited ("Lincats"). Mr. Kim Byung Kwon beneficially owns 81.8% of the issued share capital of Lincats.

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

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

Save as disclosed above, as at 30 June 2020, 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 announcement, the interests and short positions of the substantial shareholders of the Company (other than the Directors and the chief executives of the Company) in the Shares and underlying Shares of the Company which were required to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were required, pursuant to Section 336 of the SFO, to be entered in the register to therein, were as follows:

Name of Substantial Shareholder	Long/short position	Capacity	Number of Shares	Percentage of issued share capital
Absolute Skill Holdings Limited	Long position	Beneficial owner	296,980,000	44.997%
Lincats	Long position	Beneficial owner	198,000,000	30%

Save as disclosed above, as at the date of this announcement, 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 announcement and there was no share option outstanding as at 30 June 2020.

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 announcement, at no time during the six months ended 30 June 2020 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 2020.

DIRECTORS’ INTERESTS IN COMPETING BUSINESS

For the six months ended 30 June 2020, 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 announcement.

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 2020.

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 2020.

CONNECTED TRANSACTIONS

During the six months ended 30 June 2020, 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 2020, 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 below:

Code Provision C.1.2 of the Code provides that management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer's performance, position and prospects in sufficient detail to enable the board as a whole and each director to discharge their duties under Rule 5.01 and Chapter 17 of the GEM Listing Rules. Although regular monthly updates to the members of the Board were not arranged, the management provides information and updates to the members of the Board as and when appropriate. The management ensures that all members of the Board properly receives adequate, complete and reliable information in a timely manner.

Code Provision I(f) of the Code provides that disclosure be made in regards to details of non-compliance with Rules 5.05(1) and (2), and 5.05A of the GEM Listing Rules and an explanation of the remedial steps taken to address non-compliance. On 1 January 2020, Mr. Ko Ming Tung, Edward resigned as independent non-executive Director leaving only two independent non-executive Directors which did not meet the requirements pursuant to the above Rules. Mr. Lee Tsung Wah, Jonathan was appointed on 31 March 2020 after trading hours to fill the casual vacancy. Mr. Lee was subject to election by the shareholders at the first general meeting after his appointment and was re-elected at the annual general meeting of the Company on 26 June 2020. Please refer to the Company's announcements dated 1 January 2020, 31 March 2020 and 26 June 2020, and circular dated 20 May 2020 for more information.

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 for the six months ended 30 June 2020 and up to the latest practicable date prior to the issue of this announcement.

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 2020 and up to the date of this announcement.

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 2020 (2019: Nil).

SUPPLEMENTAL INFORMATION

Adoption of Chinese Name and Adoption of Chinese Stock Short Name

With effect from 23 December 2019, the Company adopted the Chinese name of “百家淘客股份有限公司” as the dual foreign name of the Company and with effect from 9:00 a.m. on 9 January 2020, the Company adopted the Chinese stock short name of “百家淘客”. The English stock short name of the Company for trading in the Shares and the stock code of the Company on the Stock Exchange will remain unchanged as “ZIONCOM” and “8287”, respectively.

Please refer to the announcements of the Company dated 23 October 2019, 25 October 2019, 14 November 2019 and 6 January 2020, and the circular of the Company dated 28 October 2019 for more information.

COVID-19 Outbreak

The business operation of the Group has been moderately affected by the COVID-19 outbreak (the “**Epidemic**”). Some of the customers’ repayments are in unexpected arrears. In addition, strict anti-epidemic measures implemented in the PRC have resulted in difficulties for some of the Group’s employees in reporting for duty in the PRC, which has adversely affected the operational efficiency of the Group. The Company expects that the situation will gradually improve following effective control of the Epidemic.

EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred since the six months ended 30 June 2020 to this announcement 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.

Two Compliance Committee meetings were held for the six months ended 30 June 2020. 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. Lee Tsung Wah, Jonathan (<i>Chairman</i>) (appointed with effect from 31 March 2020)	1/1
Mr. Shin Dongmin	2/2
Mr. Kwong Chun Man (resigned as chairman with effect from 31 March 2020)	2/2

The major works performed by the Compliance Committee for the six months ended 30 June 2020 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 2020.

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 2020 on 14 August 2020 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 2020

As at the date of this announcement, the executive Directors are Mr. Kim Byung Kwon, Mr. Kim Jun Yeob, Mr. Koo Ja Chun, Mr. Xiao Jingen and Mr. Zhao Xiuming and the independent non-executive Directors are Mr. Shin Dongmin, Mr. Kwong Chun Man and Mr. Lee Tsung Wah, Jonathan.

This announcement will remain on the GEM website at 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.