



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 REPORT

**2022**



## **CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

**GEM has been positioned as a market designed to accommodate small and mid-sized companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration.**

**Given that the companies listed on GEM are generally small and mid-sized companies, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.**

Hong Kong Exchanges and Clearing Limited and the Stock Exchange take no responsibility for the contents of this report, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this report.

This report, for which the directors (the “**Directors**”) of Zioncom Holdings Limited (the “**Company**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

## CONTENTS

Corporate Information	3
Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income	4-5
Unaudited Condensed Consolidated Statement of Financial Position	6-7
Unaudited Condensed Consolidated Statement of Changes in Equity	8
Unaudited Condensed Consolidated Statement of Cash Flows	9
Notes to the Unaudited Condensed Consolidated Financial Statements	10-16
Management Discussion and Analysis	17-21
Corporate Governance and Other Information	22-28

## CORPORATE INFORMATION

### BOARD OF DIRECTORS

#### Executive Directors:

Mr. Kim Jun Yeob (金俊燁先生)  
(Chairman)  
Mr. Koo Ja Chun (具滋千先生)  
Mr. Xiao Jingen (肖金根先生)  
Mr. Cheng Kwan Yu (鄭君瑜先生)

#### Independent Non-Executive Directors:

Ms. Sin Pui Ying (洗佩瑩女士)  
Mr. Tsang Chung Yu (曾頌愉先生)  
Mr. Ng Thiam Chye (alias Huang Tiancai)  
(黃添才先生) (appointed  
on 13 May 2022 and retired  
on 30 June 2022)  
Mr. Wang Yow Hsiong (王幼雄先生)  
(appointed on 13 May 2022 and  
retired on 30 June 2022)

#### COMPANY SECRETARY

Ms. Wong Ngar Lai (黃雅麗女士)

#### AUTHORISED REPRESENTATIVES

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

#### COMPLIANCE OFFICER

Mr. Kim Jun Yeob (金俊燁先生)

#### AUDIT COMMITTEE

Ms. Sin Pui Ying (洗佩瑩女士) (Chairlady)  
Mr. Tsang Chung Yu (曾頌愉先生)

#### REMUNERATION COMMITTEE

Mr. Tsang Chung Yu (曾頌愉先生)  
(Chairman)  
Ms. Sin Pui Ying (洗佩瑩女士)  
Mr. Kim Jun Yeob (金俊燁先生)

#### NOMINATION COMMITTEE

Mr. Tsang Chung Yu (曾頌愉先生)  
(Chairman)  
Ms. Sin Pui Ying (洗佩瑩女士)  
Mr. Koo Ja Chun (具滋千先生)

#### COMPLIANCE COMMITTEE

Ms. Sin Pui Ying (洗佩瑩女士) (Chairlady)  
Mr. Tsang Chung Yu (曾頌愉先生)  
Mr. Kim Jun Yeob (金俊燁先生)

### REGISTERED OFFICE IN THE CAYMAN ISLANDS

Windward 3  
Regatta Office Park  
P.O. Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

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

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

### PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Ocorian Trust (Cayman) Limited  
Windward 3  
Regatta Office Park  
P.O. Box 1350  
Grand Cayman  
KY1-1108  
Cayman Islands

### HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited  
(effective 6 June 2022)  
Level 54, Hopewell Centre  
183 Queen's Road East  
Hong Kong

### PRINCIPAL BANKER

The Hongkong and Shanghai Banking  
Corporation Limited

### AUDITORS

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

### STOCK CODE

8287

### COMPANY WEBSITE

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

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

The board of Directors (the “**Board**”) 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 2022, together with the unaudited comparative figures for the same corresponding period in 2021.

	Notes	For the three months ended 30 June		For the six months ended 30 June	
		2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Revenue</b>	4	<b>196,374</b>	135,862	<b>292,862</b>	319,513
Cost of sales		<b>(169,375)</b>	(115,262)	<b>(250,946)</b>	(278,545)
<b>Gross profit</b>		<b>26,999</b>	20,600	<b>41,916</b>	40,968
Other income		<b>2,704</b>	3,136	<b>4,590</b>	4,070
Change in fair value of financial assets		–	37	–	90
Selling and distribution expenses		<b>(4,799)</b>	(4,060)	<b>(9,622)</b>	(8,941)
Administrative expenses		<b>(12,705)</b>	(11,075)	<b>(26,123)</b>	(23,933)
Research and development expenses		<b>(5,481)</b>	(5,474)	<b>(13,048)</b>	(12,037)
<b>Profit from operations</b>		<b>6,718</b>	3,164	<b>(2,287)</b>	217
Finance costs	5	<b>(818)</b>	(1,156)	<b>(1,206)</b>	(1,790)
<b>Profit/(Loss) before taxation</b>		<b>5,900</b>	2,008	<b>(3,493)</b>	(1,573)
Taxation	6	<b>(616)</b>	(298)	<b>(616)</b>	(357)
<b>Profit/(Loss) for the period</b>		<b>5,284</b>	1,710	<b>(4,109)</b>	(1,930)

Notes	For the three months ended 30 June		For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
<b>Other comprehensive income</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translating of foreign operation	(9,865)	(8,308)	(12,066)	(10,753)
	<b>(9,865)</b>	<b>(8,308)</b>	<b>(12,066)</b>	<b>(10,753)</b>
<b>Other comprehensive loss for the period</b>	<b>(9,865)</b>	<b>(8,308)</b>	<b>(12,066)</b>	<b>(10,753)</b>
<b>Total comprehensive (loss)/income for the period</b>	<b>(4,581)</b>	<b>(6,598)</b>	<b>(16,175)</b>	<b>(12,683)</b>
<b>(Loss)/profit for the period attributable to:</b>				
– Owners of the Company	4,996	(554)	(5,641)	(5,526)
– Non-controlling interest	288	2,016	1,532	3,348
	<b>5,284</b>	<b>1,462</b>	<b>(4,109)</b>	<b>(2,178)</b>
<b>Total comprehensive (loss)/income attributable to:</b>				
– Owners of the Company	(4,870)	(9,381)	(17,707)	(16,527)
– Non-controlling interest	288	2,538	1,532	3,596
	<b>(4,582)</b>	<b>(6,843)</b>	<b>(16,175)</b>	<b>(12,931)</b>
<b>(Loss)/earnings per share attributable to the owners of the Company</b>				
Basic and diluted (HK cents)	8 0.76	(0.08)	(0.85)	(0.83)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2022 HK\$'000 (Unaudited)	As at 31 December 2021 HK\$'000 (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	9	123,534	132,237
Right-of-use asset		9,958	11,810
Financial assets at fair value through profit or loss		656	11,688
		<b>134,148</b>	155,735
<b>Current assets</b>			
Inventories		200,059	179,516
Trade and bills receivables	10	72,359	46,686
Prepayments, deposits and other receivables		75,581	46,035
Pledged bank deposits		21,922	25,261
Cash and bank balances		6,130	22,386
		<b>376,051</b>	319,884
<b>Current liabilities</b>			
Trade and bills payables	11	211,756	160,694
Accruals, deposits received and other payables		41,733	29,198
Contract liabilities		29,990	25,821
Amount due to Director		444	401
Bank borrowings		94,855	108,554
Lease liabilities/obligations under finance leases	12	1,678	3,010
Tax payables		699	2,258
		<b>381,155</b>	329,936
<b>Net current liabilities</b>		<b>(5,104)</b>	(10,052)
<b>Total assets less current liabilities</b>		<b>129,044</b>	145,683

	Notes	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
<b>Non-current liabilities</b>			
Lease liabilities/obligations under finance leases	12	<b>334</b>	569
Deferred tax liabilities		<b>5,052</b>	5,281
		<b>5,386</b>	5,850
<b>Net assets</b>			
		<b>123,658</b>	139,833
<b>Capital and reserves</b>			
Share capital		<b>6,600</b>	6,600
Reserves		<b>99,114</b>	116,821
<b>Non-controlling interest</b>			
		<b>17,944</b>	16,412
<b>Total equity attributable to owners of the Company</b>			
		<b>123,658</b>	139,833



## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company							Sub-total	Non-controlling interest	Total
	Share capital	Share premium	Other reserve	Surplus reserve	Exchange reserve	Revaluation surplus reserve	Retained earnings			
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 January 2021 (Audited)	6,600	58,924	39,551	5,873	(2,104)	26,221	19,350	154,415	11,673	166,088
Profit for the period	-	-	-	-	-	-	(5,526)	(5,526)	3,348	(2,178)
Other comprehensive income for the period	-	-	-	-	(11,071)	(3)	(4)	(11,078)	248	(10,830)
Loss and total comprehensive income for the period	-	-	-	-	(11,071)	(3)	(5,530)	(16,604)	3,596	(13,008)
Transfer to surplus reserve	-	-	-	77	-	-	-	77	-	77
At 30 June 2021 (Unaudited)	6,600	58,924	39,551	5,950	(13,175)	26,218	13,820	137,888	15,269	153,157
At 1 January 2022 (Audited)	<b>6,600</b>	<b>58,924</b>	<b>39,551</b>	<b>5,922</b>	<b>11,403</b>	<b>29,053</b>	<b>(28,032)</b>	<b>123,421</b>	<b>16,412</b>	<b>139,833</b>
Profit for the period	-	-	-	-	-	-	(5,641)	(5,641)	1,532	(4,109)
Other comprehensive income for the period	-	-	-	(98)	(11,925)	-	(43)	(12,066)	-	(12,066)
Loss and total comprehensive income for the period	-	-	-	(98)	(11,925)	-	(5,684)	(17,707)	1,532	(16,175)
Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-
At 30 June 2022 (Unaudited)	<b>6,600</b>	<b>58,924</b>	<b>39,551</b>	<b>5,824</b>	<b>(522)</b>	<b>29,053</b>	<b>(33,716)</b>	<b>105,714</b>	<b>17,944</b>	<b>123,658</b>

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months  
ended 30 June

	<b>2022</b> <b>HK\$'000</b> <b>(Unaudited)</b>	2021 HK\$'000 (Unaudited)
Net cash generated from/(used in) operating activities	<b>(41)</b>	(7,985)
Net cash used in investing activities	<b>(1,091)</b>	(1,786)
Net cash (used in)/generated from financing activities	<b>(14,923)</b>	10,415
Net (decrease)/increase in cash and cash equivalents	<b>(16,055)</b>	644
Cash and cash equivalents at 1 January	<b>22,386</b>	9,452
Effect of foreign exchange rate changes	<b>(201)</b>	57
Cash and cash equivalents at 30 June	<b>6,130</b>	10,153

# NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

## 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 Windward 3, Regatta Office Park, P.O. Box 1350, Grand Cayman, KY1-1108, Cayman Islands and the principal place of business of the Company is located at Office A, 9/F., Kings Wing Plaza 2, No. 1 On Kwan Street, Shatin, New Territories, Hong Kong.

## 2. BASIS OF PREPARATION AND ACCOUNTING POLICIES

The Group's unaudited condensed consolidated results for the six months ended 30 June 2022 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 2021 except for the adoption of the new and revised IFRS, amendments and Interpretations that are effective for financial period beginning on 1 January 2022 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 2022 have not been audited by the Company's auditors but have been reviewed by the audit committee of the Company (the "**Audit Committee**").

## 3. SEGMENT INFORMATION

During the six months ended 30 June 2022 and 2021, the Group operates in one operating segment which is the manufacturing and sale 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Korea	98,750	100,005	152,462	190,876
The People's Republic of China (the "PRC")	16,997	1,361	22,408	14,800
Vietnam	12,558	11,524	22,057	17,270
Other Asia (excluding Korea, the PRC and Vietnam)	54,213	7,486	75,167	62,573
Europe	4,102	4,848	4,775	11,541
South America	6,817	8,659	10,699	15,470
Africa	2,602	1,746	4,959	3,722
North America	335	233	335	587
Central America	-	-	-	2,674
	<b>196,374</b>	<b>135,862</b>	<b>292,862</b>	<b>319,513</b>

## 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	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Customer A (Note)	73,013	87,463	115,894	170,198

Note:

Revenue from manufacturing and trading of networking products including routers, switches and LAN cards.

#### 4. REVENUE

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

#### 5. FINANCE COSTS

Interest expenses on bank borrowings wholly repayable within five years  
Interest expenses on lease liabilities/ obligations under finance leases

For the three months ended 30 June		For the six months ended 30 June	
2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
687	858	943	1,239
131	298	263	551
<b>818</b>	<b>1,156</b>	<b>1,206</b>	<b>1,790</b>

#### 6. TAXATION

Current taxation:  
Provision for the period  
– Hong Kong profits tax  
– Other than Hong Kong

For the three months ended 30 June		For the six months ended 30 June	
2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
–	–	–	–
616	298	616	357
<b>616</b>	<b>298</b>	<b>616</b>	<b>357</b>

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Amendment Bill**”) which introduces the two-tiered profits tax rates regime. The Amendment 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 2022 and 2021.

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 the six months ended 30 June 2022 and 2021, 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 2022 and 2021.

Vietnam corporate income tax is calculated at 10% of the estimated assessable profit for the six months ended 30 June 2022. No provision of profits tax for the subsidiary in Vietnam as it did not have any assessable profit for the six months ended 30 June 2021.

Malaysia corporate income tax is calculated at 17% on the first MYD600,000 and 24% for remaining estimated assessable profit for the six months ended 30 June 2022 and 2021. No provision of corporate income tax for the subsidiary in Malaysia has been recognised as it did not have any assessable profit for the six months ended 30 June 2022 and 2021.

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 2022 and 2021.

## 7. DIVIDEND

The Board does not recommend the payment of any dividend for the six months ended 30 June 2022 (2021: nil).

## 8. (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		For the six months ended 30 June	
	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2022 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)
Loss for the period attributable to the owners of the Company	4,996	(554)	(5,641)	(5,526)
Number of shares Weighted average number of ordinary shares in issue	660,000,000	660,000,000	660,000,000	660,000,000

The calculation of basic loss per share for the six months ended 30 June 2022 is based on the loss attributable to the owners of the Company for the six months ended 30 June 2022 of approximately HK\$5,641,000 and 660,000,000 weighted average number of ordinary shares in issue during the six months ended 30 June 2022.

Diluted loss per share were same as the basic loss per share as there were no potential dilutive ordinary shares in existence during the six months ended 30 June 2022 and 2021.

## 9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six months ended 30 June 2022, the Group acquired and disposed property, plant and equipment of approximately HK\$1,602,000 and HK\$511,000, respectively (six months ended 30 June 2021: HK\$2,075,000 and HK\$290,000, respectively).

## 10. TRADE AND BILLS RECEIVABLES

Trade receivables  
Less: Allowance for credit risk

Bills receivables

<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
<b>113,361</b> <b>(41,057)</b>	85,684 (39,026)
<b>72,304</b> <b>55</b>	46,658 28
<b>72,359</b>	46,686

As at 30 June 2022, trade receivables from contracts with customers amounted to approximately HK\$119,422,000 (as at 31 December 2021: approximately HK\$46,658,000).

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:

Within 30 days  
31 to 60 days  
61 to 90 days  
91 to 180 days  
Over 180 days

<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
<b>34,675</b>	18,071
<b>5,428</b>	9,783
<b>17,554</b>	7,635
<b>1,272</b>	9,595
<b>13,375</b>	1,574
<b>72,304</b>	46,658

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 are related to customers for whom there was no default. Receivables that were past due but not impaired are 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\$41,057,000 has been recognised for trade receivables as at 30 June 2022 (as at 31 December 2021: HK\$39,026,000).

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.

## 11. TRADE AND BILLS PAYABLES

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
Trade payables	<b>171,312</b>	113,572
Bills payables	<b>40,444</b>	47,122
	<b>211,756</b>	160,694

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

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
Within 30 days	<b>133,086</b>	57,338
31 to 60 days	<b>7,617</b>	18,415
61 to 90 days	<b>14,536</b>	13,517
91 to 180 days	<b>16,073</b>	21,795
Over 180 days	<b>-</b>	2,507
	<b>171,312</b>	113,572

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

## 12. LEASE LIABILITIES/OBLIGATIONS UNDER FINANCE LEASES

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

	<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
Minimum lease payments under finance leases		
– within one year	<b>1,732</b>	3,098
– in the second to fifth years, inclusive	<b>345</b>	600
	<b>2,077</b>	3,698
Less: Future finance charges	<b>(65)</b>	(119)
Present value of finance leases	<b>2,012</b>	3,579



Present value of minimum lease payments  
under finance leases  
– within one year  
– in the second to fifth years, inclusive

Less: Amount due for settlement within one year

Amount due for settlement after one year

### 13. SHARE CAPITAL

#### Authorised:

Ordinary share of HK\$0.01 each as  
at 31 December 2021 and 30 June 2022

#### Issued and fully paid:

As at 31 December 2021 and 30 June 2022

<b>As at 30 June 2022 HK\$'000 (Unaudited)</b>	As at 31 December 2021 HK\$'000 (Audited)
<b>1,678</b>	3,010
<b>334</b>	569
<b>2,012</b>	3,579
<b>(1,678)</b>	(3,010)
<b>334</b>	569

<b>Number of Shares</b>	<b>Amount HK\$</b>
50,000,000,000	500,000,000
660,000,000	6,600,000

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW AND OUTLOOK

### Business Review

The Group is principally engaged in manufacturing and sale 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 subsidiaries of the Group in Taiwan and Vietnam have strong sales team working closely with their distributors. The revenues contributed from the Group's Taiwan and Vietnam operations were approximately HK\$19.7 million and HK\$26.9 million respectively for the six months ended 30 June 2022, which in aggregate contributed approximately 15.91% of the Group's revenue.

### 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 promoting 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 the PRC trade tensions with a possible trade truce, the Russia-Ukraine war and the COVID-19 pandemic. The Group is cautiously optimistic that the economic impact due to the COVID-19 pandemic will be mitigated as a result of anti-epidemic measures implemented by the various governments and the on-going vaccination schemes. 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 2022. The new products will include improved versions of existing AC routers, Wi-Fi 6 routers, IP cameras and home cloud servers.

Our research and development team will keep delivering innovative technology for our customers.

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

## **FINANCIAL REVIEW**

For the six months ended 30 June 2022, the Group recorded a revenue of approximately HK\$292.9 million, representing a decrease of approximately 8.3% comparing with that of approximately HK\$319.5 million for the six months ended 30 June 2021.

The decrease was mainly due to the decrease of orders from the Group's customers located in Korea during the six months ended 30 June 2022. 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 2022, the Group's gross profit increased by approximately 2.2% from approximately HK\$41.0 million for the six months ended 30 June 2021 to approximately HK\$41.9 million for the six months ended 30 June 2022. The Group's cost of sales comprises costs of materials, direct labour, manufacturing overhead, subcontracting services fee and other overhead. The cost of sales decreased by approximately 9.9% from approximately HK\$278.5 million for the six months ended 30 June 2021 to approximately HK\$250.9 million for the six months ended 30 June 2022.

However, the gross profit margin increased from approximately 12.8% for the six months ended 30 June 2021 to 14.3% for the six months ended 30 June 2022. The increase of gross profit margin was mainly due to the increase of orders of the high profit margin product made by our major customers.

### **Selling and distribution expenses**

Selling and distribution expenses increased by approximately 7.9% from approximately HK\$8.9 million for the six months ended 30 June 2021 to approximately HK\$9.6 million for the six months ended 30 June 2022, which was mainly due to the aggregate increase in the selling and distribution expenses incurred by the Group's subsidiary in the Taiwan and Vietnam.

### **Administrative expenses**

Administrative expenses increased by approximately 9.2% from approximately HK\$23.9 million for the six months ended 30 June 2021 to approximately HK\$26.1 million for the six months ended 30 June 2022, which was mainly due to aggregate increase of the staff costs and staff welfare expenses.

## Research and development expenses

Research and development expenses increased by approximately 8.3% from approximately HK\$12.0 million for the six months ended 30 June 2021 to approximately HK\$13.0 million for the six months ended 30 June 2022, which was mainly due to the increase in spending in research and development activities for product development.

## Finance costs

Finance costs decreased by approximately 33.3% from approximately HK\$1.8 million for the six months ended 30 June 2021 to approximately HK\$1.2 million for the six months ended 30 June 2022.

## Loss for the period

As a result of the foregoing, the loss for the six months ended 30 June 2022 amounted to approximately HK\$4.1 million, comparing with the loss of approximately HK\$1.9 million for the six months ended 30 June 2021.

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 2022, total borrowings of the Group amounted to approximately HK\$95.1 million (as at 31 December 2021: approximately HK\$108.6 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 2022, the cash and bank balances and pledged bank deposit of the Group amounted to approximately HK\$28.0 million (as at 31 December 2021: approximately HK\$47.7 million).

As at 30 June 2022, debt to equity ratio of the Group was 55.7% (as at 31 December 2021: 46.1%). 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 2022 was approximately 1 time (as at 31 December 2021: approximately 1 time).

As at 30 June 2022, gearing ratio of the Group was 78.3% (as at 31 December 2021: 80.2%). Gearing ratio is calculated based on total debt for the financial year divided by total equity as at the end of the financial year.

The Group maintained sufficient working capital as at 30 June 2022 with cash and bank balances of approximately HK\$6.1 million (as at 31 December 2021: approximately HK\$22.4 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 2022, the Group's net current liabilities amounted to approximately HK\$5.1 million (as at 31 December 2021: approximately HK\$10.1 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 2022, the Group did not have any significant contingent liabilities (as at 31 December 2021: 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:

	<b>As at 30 June</b>	
	<b>2022</b>	2021
	<b>HK\$'000</b>	HK\$'000
	<b>(Unaudited)</b>	(Unaudited)
Authorised and contracted for capital contributions payable to an equity investment	–	–

## PLEDGE OF ASSETS

As at 30 June 2022, bank deposits of approximately HK\$21.9 million (as at 31 December 2021: approximately HK\$25.3 million), property, plant and equipment with a carrying value of approximately HK\$93.2 million (as at 31 December 2021: approximately HK\$95.1 million), right-of-use assets with a carrying value of approximately HK\$7.7 million (as at 31 December 2021: approximately HK\$8.5 million), financial assets at fair value through profit or loss with a carrying amount of approximately nil (as at 31 December 2021: approximately HK\$11 million) and inventories of approximately HK\$27.2 million (as at 31 December 2021: approximately HK\$27.2 million) of the Group were pledged to secure the Group's bank borrowings.

## 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, Renminbi and Vietnamese Dong. Foreign exchange risk arises from commercial transactions, recognised assets and liabilities denominated in a currency that is not the functional currency of the Group and net investments in foreign operations.

As at 30 June 2022, 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 2022, 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 report, the Group did not have any other plan for material investments and capital assets.

## MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the six months ended 30 June 2022, the Group did not have any material acquisition and disposal of subsidiaries and affiliated companies.

## EMPLOYEES AND EMOLUMENT POLICIES

The Group had 843 employees (including Directors) as at 30 June 2022 (as at 30 June 2021: 931 employees) in Hong Kong, the PRC, Taiwan, Malaysia and Vietnam.

The Group 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 adopted a Share Option Scheme (the "**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 of the Company dated 28 December 2017 (the "**Prospectus**").

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

The remuneration committee of the Company 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.

## 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 report, none of the Directors or chief executive of the Company had any interest or short position in Shares, underlying Shares or debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")), which was required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 to 5.67 of the GEM Listing Rules to be notified to the Company and the Stock Exchange.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

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

Name of substantial shareholders	Long/short position	Capacity	Number of shares held	Percentage of issued share capital
Absolute Skill Holdings Limited ("Absolute Skill")	Long position	Beneficial owner	296,980,000	44.997%
Ms. Sui Xiaohu (Note)	Long Position	Interest in controlled corporation	296,980,000	44.997%

Note: Ms. Sui Xiaohu held 100% interest in Absolute Skill. By virtue of the SFO, Ms. Sui Xiaohu is deemed to be interested in these 296,980,000 shares which Absolute Skill has beneficial interest in.

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

## **SHARE OPTION SCHEME**

The Company conditionally adopted 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 2021 annual report of the Company.

No share option had been granted since the adoption of the Share Option Scheme up to the date of this report and there was no share option outstanding as at 30 June 2022.

Further particulars of the Share Option Scheme are set out in the section headed "Statutory and General Information – D. Share Option Scheme" in Appendix IV to the Prospectus.

## **DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES**

Save as disclosed in this report, at no time during the six months ended 30 June 2022 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 2022.

## **DIRECTORS' AND CONTROLLING SHAREHOLDER'S INTERESTS IN COMPETING BUSINESS**

For the six months ended 30 June 2022, none of the Directors or the controlling shareholder 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.

## **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 2022.



## CONNECTED TRANSACTIONS

During the six months ended 30 June 2022, 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 2022, the Company has complied with the applicable code provisions of 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 D.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 receive adequate, complete and reliable information in a timely manner.

Code Provision B.(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 23 May 2022, Mr. Ng Thiam Chye (alias Huang Tiancai) ("**Mr. Ng**") and Mr. Wang Yow Hsiong ("**Mr. Wang**") were appointed as independent non-executive Directors effective on 13 May 2022. On 30 June 2022, at the annual general meeting of the Company, both Mr. Ng and Mr. Wang were subject to re-election and were not re-elected by the shareholders of the Company. This left only two independent non-executive Directors which did not meet the requirements pursuant to the above Rules 5.05(1) and 5.05A. Please refer to the Company's announcements dated 23 May 2022 and 30 June 2022 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 2022 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 5.46 to 5.67 of the GEM Listing Rules (the “**Required Standard of Dealings**”) as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he/she has complied with the Required Standard of Dealings for the six months ended 30 June 2022 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 the subsidiaries of the Company who, because of his/her office or employment in the Company or the subsidiaries, 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 Required Standard of Dealings 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 2022 (2021: nil).

## SUPPLEMENTAL INFORMATION

### Summons and Orders

On 13 May 2022, the Court of First Instance of the High Court of Hong Kong (the “**Court**”) issued an order (as amended on 20 May 2022) (“**HCMP 526**”) to, inter alia, restrain the Directors and Company from (i) inhibiting Mr. Ng and Mr. Wang from acting or holding out as directors of the Company; and (ii) removing or disposing of or dealing with or diminishing the value of any assets of the Company other than those exceptions as listed in the Court order. Please refer to the Company’s announcements dated 13 May 2022 and 23 May 2022 for more information.

On 30 May 2022, the Company received a writ of summons filed by Peng Yingzhen suing for and on behalf of himself and other intended beneficial owners of the shareholding of the Company registered in the name of Absolute Skill (“**Subject Shares**”), in the Court. On 10 June 2022, the Court made an interim-interim injunction (“**HCA 641**”) that Absolute Skill be prohibited from and restrained from, inter alia, exercising or attempting or purporting to exercise any shareholders’ rights attached to the Subject Shares, including voting rights; and holding itself out as being and/or otherwise conducting themselves as being the beneficial owner of the Subject Shares. Please refer to the Company’s announcements dated 30 May 2022, 7 June 2022 and 10 June 2022 for more information.

The hearing of HCMP 526 was heard on 6 July 2022 and the Court made an order that, inter alia, (i) the hearing of HCMP 526 be adjourned to be heard together with HCA 641 for substantive arguments before the Court on 14 September 2022, with 3 days reserved; (ii) all proceedings and/or interlocutory applications (if any) in relation to the Company be listed for hearing before the Court on 14 September 2022; and (iii) the HCMP 526 order be continued until the adjourned hearing or further order. Please refer to the announcement of the Company dated 6 July 2022 for more information.

### **Disposal of 21.37% equity interests in a subsidiary**

On 30 June 2022, Zioncom (Hong Kong) Technology Limited, an indirect wholly-owned subsidiary of the Company, entered into a 5th supplemental agreement with Evergo Technology PTE. Limited, an independent third party, to extend the date for the fulfillment or waiver of the condition precedents under the disposal agreement dated 12 August 2021 (the “**Disposal Agreement**”) from 30 June 2022 (as extended by the supplemental agreements entered into between the parties on 29 October 2021, 31 December 2021, 31 March 2022 and 14 May 2022) to 30 July 2022. In addition, if the conditions precedent under the Disposal Agreement are not fulfilled or waived (if such condition precedent can be waived) on or before 30 July 2022 (“**Fulfilment Date**”), then the Fulfilment Date shall automatically be extended for another one month, and thereafter automatically extended for successive one month period unless either party gives notice of non-extension at least 15 days prior to the end of relevant period. In the event of such non-extension, at the expiry of the relevant period, the obligations of the parties under the Disposal Agreement shall cease and none of the parties shall have any claim against the other parties, save for any antecedent breach thereof. Please refer to the announcement of the Company dated 4 July 2022 for more information.

### **Update on the Rights Issue and revised expected timetable**

On 8 August 2022 (after trading hours), Suncorp Securities Limited (the “**Underwriter**” and “**Placing Agent**”) and the Company entered into the Underwriting Agreement, pursuant to which the Underwriter has conditionally agreed to underwrite on a non-fully underwritten basis up to 140,000,000 Rights Shares. As a result of the delay in despatch of the prospectus documents, the Company and the Placing Agent entered into a supplemental agreement to the placing agreement to revise certain dates of the timetable of the proposed rights issue. Please refer to the announcements of the Company dated 28 February 2022, 10 March 2022, 8 August 2022 and 9 August 2022 for more information.

### **EVENTS AFTER THE REPORTING PERIOD**

No significant events have occurred since 30 June 2022 to this report date save as disclosed in this report.

## COMPLIANCE COMMITTEE

The Company established the compliance committee with effect from 18 January 2018 (“**Compliance Committee**”). 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 2022. The attendances of each Compliance Committee member are set out as follows:

	<b>Number of meetings attended/ eligible to attend</b>
<b>Executive Director</b>	
Mr. Kim Jun Yeob	2/2
<b>Independent Non-executive Directors</b>	
Ms. Sin Pui Ying	2/2
Mr. Tsang Chung Yu	2/2

The major works performed by the Compliance Committee for the six months ended 30 June 2022 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 2022.

## AUDIT COMMITTEE

The Company established the Audit Committee with effect from 18 January 2018 with written terms of reference (as amended and adopted by the Company pursuant to the Board resolution passed on 31 December 2018) 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, to 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 2022 on 11 August 2022 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 Jun Yeob**  
*Chairman*

Hong Kong, 12 August 2022

*As at the date of this report, the executive Directors are Mr. Kim Jun Yeob, Mr. Koo Ja Chun, Mr. Xiao Jingen and Mr. Cheng Kwan Yu and the independent non-executive Directors are Ms. Sin Pui Ying and Mr. Tsang Chung Yu.*

*This report will remain on the GEM website at [www.hkgem.com](http://www.hkgem.com) on the "Latest Listed Company Information" page for at least 7 days from the date of its posting and on the website of the Company at [www.zioncom.net](http://www.zioncom.net).*