

ZKP Group Limited and Controlled Entities

ACN 610 299 271

FORM: Half yearly report

Name of *issuer*

ZKP Group Limited and Controlled Entities

ACN or ARBN	Half yearly (tick)	Preliminary final (tick)	Half year/financial year ended ('Current period')
610 299 271	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Half year ended 30 th June 2016

For announcement to the market

Extracts from this statement for announcement to the market (*see note 1*).

				\$
Revenue	Up	100%	to	3,574,876
Profit for the period	Up	100%	to	942,022
Profit for the period attributable to members of the parent	Up	100%	to	942,022
Dividends	Current period		Previous corresponding period	
Franking rate applicable:	N/A		N/A	
Interim dividend	Current period		Previous corresponding period	
Amount per <i>security</i>	NIL		N/A	
Franked amount per <i>security</i>				
There is no bonus or cash issue of importance since inception that needs to be reported to the market.				

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610 299 271	✓		Half year ended 30 th June 2016

For announcement to the market

Commentary on the results and review of operations

This is the first interim report of ZKP Group Limited and its controlled entities. ZKP Group Limited was incorporated on 20 January 2016 in South Australia. The consolidated group (“the Group”) was established on 28th April 2016 when ZKP Group Limited acquired 100% of the shares in ZKP Group (Hong Kong) Limited which in turn owns 100% shares in Henyang Zhongke Photoelectron Co Limited, a company based and operating in China.

Henyang Zhongke Photoelectron Co Limited is the main operating entity of the Group.

In the period from inception to 30 June 2016 the consolidated group reports a revenue of \$3,574,876 from the sale of ceramic ferrule products and other related product and services (comparatives are not available due to first time reporting). The total comprehensive income of the Group after tax is \$942,022.

**ZKP Group Limited and Controlled
Entities**
ACN 610 299 271

Half-year Financial Report

30 June 2016

ZKP Group Limited and Controlled Entities

ACN 610 299 271

DIRECTORS' REPORT

30 June 2016

The directors present their report on the consolidated group ("the Group") consisting of ZKP Group Limited ("the Company") and its controlled entities for the financial period ended 30 June 2016 and the review report thereon.

DIRECTORS

The names of the directors in office at any time during, or since the end of, the half year are:

Names	Position	Appointed/Resigned
Brendan Peter Connell	Director	Appointed 21st January 2016
Lu Li Jian	Director	Appointed 21st January 2016
Andrew David Martin	Director	Appointed 6th March 2016
Lu Jian	Director	Appointed 6th March 2016
Kao Chien Chih	Director	Appointed 31st March 2016

PRINCIPAL ACTIVITIES AND SIGNIFICANT CHANGES IN NATURE OF ACTIVITIES

The principal activities of the Group is manufacture and sale of optical communication products for the telecommunication in China.

REVIEW OF OPERATIONS

The profit of the Group net of tax for the period 28th April 2016 to 30th June 2016 was \$942,022. Total revenue for the period was \$3,574,876 and total expenses were \$2,840,725. This is the first year of operation of the Group and comparative information is not available.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 28th April 2016 the Company acquired 100% shares in ZKP Group (Hong Kong) Limited which in turn was a 100% holding company of Henyang Zhongke Photoelectron Co Limited. The purchase consideration was paid through the issue of 2,041,900 fully paid ordinary shares of \$1 each.

EVENTS AFTER THE REPORTING DATE

No matters or circumstances have arisen since the end of the reporting period which significantly affected or could significantly affect the operations of the group, the results of those operations or the state of affairs of the group in future financial years.

FUTURE DEVELOPMENTS AND RESULTS

Likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this report.

ENVIRONMENTAL ISSUES

The Group's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory of Australia as the main company operates in China.

ZKP Group Limited and Controlled Entities

ACN 610 299 271

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the period ended 30 June 2016 has been received and can be found on page 6 of the financial report.

DIVIDENDS PAID OR RECOMMENDED

No dividends were paid or declared since the inception. No recommendation for payment of dividends has been made.

Dated at Sydney, this 13th day of September 2016.

Signed in accordance with a resolution of the Board of Directors.



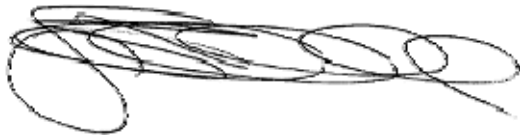
Mr. Lu Li Jian
Director

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF ZKP Group Limited**

I declare that, to the best of my knowledge and belief, in relation to the review for the period from 28th April 2016 to 30th June 2016 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Hall Consulting Group

A handwritten signature in black ink, appearing to read 'Christopher Hall', written over a horizontal line.

Christopher Hall
Director

Sydney
13th September 2016

**Statement of Profit or Loss and Other Comprehensive Income
For the six months ended 30 June 2016**

	Note	\$
Revenue		<u>3,574,876</u>
Expenses		
Cost of goods sold	3	(2,296,417)
General and administrative expense		(332,092)
Amortization		(1,422)
Business tax and surcharges		(35,503)
Selling expenses		(51,952)
Finance expenses		(118,607)
Other expenses		(4,732)
		<u>(2,840,725)</u>
Profit before tax		<u>734,151</u>
Income tax benefit		207,871
Profit after tax for the period from operations		<u>942,022</u>
Other comprehensive loss		
Changes to foreign currency translation reserve		(105,096)
Other comprehensive loss for the period net of tax		<u>(105,096)</u>
Total comprehensive income for the period attributable to the owners		<u>836,926</u>
		<u>Dollars</u>
Earnings per share:		
Basic earnings per share		0.41
Diluted earnings per share		0.41

The statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

Statement of Financial Position

As at 30 June 2016

	Notes	\$
Current assets		
Cash and cash equivalents		116,943
Trade and other receivables	4	6,548,048
Inventories	5	7,135,395
Deferred tax asset	6	207,871
Total current assets		<u>14,008,257</u>
Non-current assets		
Goodwill		1,671,435
Property, plant and equipment	7	26,748,145
Intangible assets	8	32,352
Total non-current assets		<u>28,451,932</u>
Total assets		<u>42,460,189</u>
Current liabilities		
Trade and other payables	9	8,638,878
Other liabilities	10	10,363,559
Financial liabilities	11	3,911,754
Total current liabilities		<u>22,914,191</u>
Non-current liabilities		
Financial liabilities	11	16,667,072
Total non-current liabilities		<u>16,667,072</u>
Total liabilities		<u>39,581,263</u>
Net assets		<u>2,878,926</u>
Equity		
Share capital	12	2,042,000
Foreign exchange translation reserve		(105,096)
Retained earnings		942,022
Total equity		<u>2,878,926</u>

The statement of financial position is to be read in conjunction with the accompanying notes

Statement of Changes in Equity
For the six months ended 30 June 2016

	Issued capital \$	Foreign currency translation reserve \$	Retained earnings \$	Total equity \$
Share capital on incorporation 20 January 2016	100	-	-	100
Shares issued during the period	2,041,900	-	-	2,041,900
Profit for the period	-	-	942,022	942,022
Other comprehensive loss for the period	-	(105,096)	-	(105,096)
Balance at 30 June 2016	2,042,000	(105,096)	942,022	2,878,926

The statement of changes in equity is to be read in conjunction with the accompanying notes

Statement of Cash Flows
For the period ended 30 June 2016

	\$
Cash flows from operating activities	
Cash receipts from customers	23,308,849
Cash payments to suppliers and employees	<u>(23,935,975)</u>
Net cash used in operating activities	<u>(627,126)</u>
Cash flows from investing activities	
Payments to acquire property plant and equipment	<u>(248,799)</u>
Net cash used in investing activities	<u>(248,799)</u>
Cash flows from financing activities	
Proceeds from borrowings	16,647,204
Repayment of borrowings	<u>(17,527,237)</u>
Net cash generated used in financing activities	<u>(880,033)</u>
Net increase in cash and cash equivalents	(1,755,958)
Cash and cash equivalents at the beginning of the year	<u>1,872,901</u>
Cash and cash equivalents at the end of the year	<u>116,943</u>

The statement of cash flows is to be read in conjunction with the accompanying notes.

Notes to the half-year financial statements**1. General information about the Group**

ZKP Group Limited, the parent company (the 'Company'), was incorporated in January 2016 and domiciled in South Australia, having its registered office at 55 Birksgate Drive, Urrbrae, South Australia 5064.

The company has a 100% indirect control over Hengyang Zhongke Photoelectron Co.Ltd (HZP) through its parent company ZKP Group (Hong Kong) Limited which is a private company limited by shares, incorporated in Hong Kong. The company's registration number is 2335823 and is located at Unit 4, 7/F, Bright Way Tower, No.33 Mong Kok Road, Kowloon, Hong Kong.

The consolidated Group's main operating entity, HZP, was incorporated on 24 November 2011. The principal activities of the company manufacture and sale of optical communication products for telecommunication in China. The registered address of the Company is at No. 239 Yunji Industrial Park, Hengnan County, Peoples' Republic of China

2. Summary of significant accounting policies**a. Basis of preparation**

These general purpose interim financial statements for the half-year reporting period ended 30 June 2016 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for-profit entity for financial reporting purposes under Australian Accounting Standards

b. Accounting policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the notional consolidated financial statements of ZKP Group Limited for the year ended 31 December 2015.

The Group has considered the implications of new or amended Accounting Standards, but determined that their application to the financial statements is either not relevant or not material.

c. Income taxes

Income tax expense comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the financial period and is measured using the tax rates that have been enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

c. Income taxes (continued)

Deferred tax is recognised in respect of temporary differences arising between the carrying amounts and tax bases of assets and liabilities for financial reporting purposes and the amounts used for taxation purpose.

Notes to the half-year financial statements

Deferred tax assets, including the tax base of tax losses carried forward, are recognised in the statement of financial position at their estimated realizable value, either as a set-off against deferred tax liabilities or as net tax assets. Deferred tax assets are not recognised unless it is probable that future taxable profit will be available against which tax losses can be utilised. The deferred tax assets has not been recognised in respect of tax losses because it is not probable that future taxable profits will be available against which the Company can utilise the benefits thereon.

Current and deferred income taxes are recognised as income or expense in profit or loss and other comprehensive income, except to the extent that the tax arises from a transaction which is recognised directly in equity.

d. Foreign currency translation reserve

The foreign currency translation reserve represents exchange difference arising from the translation of the financial statements of foreign subsidiaries whose functional currencies are different from the Group's presentation currency. The Group's presentation currency is Australian Dollars.

e. Dividends

No dividends were declared or paid since inception.

f. Going concern

Mr Lu Li Jian, the major shareholder and Director of the Company has provided a guarantee that he will provide continuous financial support to the consolidated Group to ensure that the Group operates as a going concern.

3. Cost of goods sold

	\$
Employee benefit expense	192,398
Depreciation	1,137,593
Electricity	250,087
Rent	7,748
Other manufacturing expenses	221,437
Changes in the inventory	487,154
Total	<u>2,296,417</u>

4. Trade and other receivables

Trade receivables	3,716,553
Prepaid expenses	2,270,872
Other receivables	560,723
Total	<u>6,548,148</u>

5. Inventories

Inventories - raw material	852,084
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Notes to the half-year financial statements

Inventories - work in process	2,313,124
Inventories - finished goods	3,970,187
Total	<u>7,135,395</u>

6. Deferred tax asset

Deferred tax asset of \$207,871 has been reported in the financial statements of HZP (Chinese subsidiary) at 30 June 2016 to recognise the effect of available tax losses and other temporary differences. The deferred tax assets related to losses will only be obtained if the Group or relevant entity derives future assessable income of a nature or amount sufficient to enable the benefits from the deductions for the losses to be utilised

7. Property plant and equipment

	Leasehold Improvements	Plant and Machinery	Motor Vehicle	Furniture and Fitting	Total
Balance as on acquisition date	1,064,508	26,204,889	321,992	45,550	27,636,939
Additions	-	246,283	-	2,516	248,799
Depreciation	48,737	1,059,145	23,516	6,195	1,137,593
Balance at 30 June 2016	<u>1,015,771</u>	<u>25,392,027</u>	<u>298,476</u>	<u>41,871</u>	<u>26,748,145</u>

8. Intangible assets

Intangible assets at cost	38,197
Accumulated amortization	5,845
Total	<u>32,352</u>

9. Trade and other payables

Trade payables	4,533,698
Other payables	3,610,506
Employee benefit payables	494,674
Total	<u>8,638,878</u>

10. Other liabilities

Income in advance from customers	65,997
Accrued expenses	2,325,502
VAT payable	178,194
Advance from related parties for supply of goods	7,793,866
Total	<u>10,363,559</u>

11. Financial Liabilities

	Interest rate	Due	\$
Current			
China Development Bank Leasing	6.15%	2013-2016	1,081,226
Postal Savings Bank of China	7.49%	2016	1,013,294
Xu Bo	0.00%	On demand	855,220
Hunan Dinghe Investment Holding Co. Ltd.	0.00%	On demand	405,318

Notes to the half-year financial statements

Ding Junhong	0.00%	On demand	344,520
Ping An Bank	7.07%	2015-2017	110,792
Zheng Zhongguo	0.00%	On demand	101,384
Total			3,911,754
Non-Current			
Loan from related parties		On demand	10,009,443
Hengyang SME Guarantee Funds Mgmt. Centre	6.00%	On demand	6,657,629
Total			16,667,072

12. Share capital

Issued capital	No of shares	\$
At 20 January 2016 (date of incorporation)	100	100
Issuance of fully paid equity shares	2,041,900	2,041,900
Total	2,042,000	2,042,000

Holders of ordinary shares are entitled to receive dividends and are entitled to one vote per share at shareholders' meetings.

13. Control gained or lost over entities in the half-year

On 28 April 2016, the company acquired 100% of the issued capital of ZKP (Hong Kong) Limited, for a purchase consideration of \$2,041,900.

The purchase was satisfied by the issue of 2,041,900 ordinary shares at an issue price of \$1 each. The entire payment for acquiring the controlling interest was settled through issue of shares and the transaction did not entail any outflow of cash.

14. Related parties

Related parties include key management personnel and the entities under common control. Balance receivable from or payable to the related parties as at 30 June 2016 are listed below:

Advance for supply of goods and services

Related Party	Relationship	
Photoelectric Co., Ltd., Jiangsu Branch	Common control	7,442,139
Hengyang City in the Electronics Co. Ltd.	Common control	351,727
Total		7,793,866

14. Related parties (continued)

Balance of loans from related parties

Related Party	Relationship	
Non-Current		
Lu Li Jian	Director	9,608,735
Hengyang Hua Hui Property Development Co. Ltd.	Common control	400,708
Total		10,009,443

Notes to the half-year financial statements**Other transactions with related parties during the period ended 30 June 2016****Sales of goods**

Photoelectric Co., Ltd., Jiangsu Branch	3,005,125
Hengyang City in the Electronics Co. Ltd.	144,634
Total	3,149,759

Interest on borrowings

Lu Li Jian	11,666
Hengyang Hua Hui Property Development Co. Ltd.	1,858
Total	13,524

15. Capital commitments

As on 30 June 2016 the Group had the following capital commitments

Plant and equipment – Machinery	264,673
Listing consulting service	2,026,589
Total	2,291,261

16. Contingencies

There were no contingent liabilities relating to the Group at 30 June 2016.

17. Events occurring after the reporting date

No matters or circumstances have arisen since the end of the reporting period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

Directors' declaration

In the opinion of the directors of ZKP Group Limited ("the Company"):

- 1 the financial statements and notes set out on pages 7 to 15 are in accordance with the Corporations Act 2001, including;
 - a) giving a true and fair view of the financial position of the consolidated entities as at 30 June 2016 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
 - b) complying with Australian Accounting Standard AASB 134 "Interim Financial Reporting"; and
- 2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney on this 13th day of September 2016 in accordance with a resolution of the Directors.



Mr. Lu Li Jian
Director

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of ZKP Group Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of ZKP Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, and the consolidated profit or loss and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of ZKP Group Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of ZKP Group Limited's financial position as at 30 June 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of ZKP Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of ZKP Group Limited is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the entity's financial position as at 30 June 2016 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

Hall Consulting Group

A handwritten signature in black ink, appearing to read 'Christopher Hall', written over a horizontal line.

Christopher Hall

Partner

Sydney 13th September 2016