Zhicheng Technology Group Ltd.
(志承科技集團有限公司*)

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 8511)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2018

CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "STOCK EXCHANGE")

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

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

*This announcement, for which the directors (the "**Directors**") of Zhicheng Technology Group Ltd. (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.*

* *For identification purposes only*

RESULTS

The board of Directors (the "**Board**") of the Company presents the audited consolidated financial results of the Company and its subsidiaries (collectively the "**Group**") for the year ended 31 March 2018, together with the comparative audited figures for the year ended 31 March 2017 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2018

		Year ended 31 March	
	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	3	**48,405**	43,492
Cost of sales	4	**(17,290)**	(17,777)
Gross profit		**31,115**	25,715
Selling and marketing expenses	4	**(1,839)**	(1,255)
Administrative expenses	4	**(37,072)**	(4,954)
Other income		**356**	–
Other losses — net		**(35)**	(62)
Operating (loss)/profit		**(7,475)**	19,444
Finance income		**3**	2
(Loss)/Profit before income tax		**(7,472)**	19,446
Income tax expense	5	**(3,763)**	(2,187)
(Loss)/Profit attributable to:			
Owners of the Company		**(11,235)**	17,259
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Currency translation differences		**–**	10
Other comprehensive income for the year, net of tax		**–**	10
Total comprehensive income attributable to:			
Owners of the Company		**(11,235)**	17,269
(Losses)/Earnings per share			
— Basic and diluted (HK$)	6	**(113.26)**	176.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2018

	Note	As at 31 March 2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Equipment		**95**	74
Intangible assets		**403**	326
Deferred income tax assets		**–**	134
		498	534
Current assets			
Trade receivables	8	**31,087**	23,511
Amounts due from a related party		**3,734**	–
Other receivables		**246**	1,144
Prepayments	9	**17,268**	1,107
Restricted cash		**429**	469
Cash and cash equivalents		**1,530**	2,311
		54,294	28,542
Total assets		**54,792**	29,076
EQUITY			
Equity attributable to owners of the Company			
Share capital		**–**	–
Other reserves		**1,806**	634
Retained earnings		**2,955**	14,491
Total equity		**4,761**	15,125
LIABILITIES			
Current liabilities			
Trade payables	10	**8,307**	2,182
Amounts due to a related party		**10,155**	4,644
Other payables		**31,076**	2,110
Advances from customers		**62**	1,405
Current income tax liabilities		**431**	3,610
Total liabilities		**50,031**	13,951
Total equity and liabilities		**54,792**	29,076

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on 23 June 2017 as an exempted company with limited liability. The address of its registered office is Sertus Chambers, Governors Square, Suite # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547 Grand Cayman, KY1-1104 Cayman Islands.

The holding company of the Company is IFG Swans Holding Ltd. ("IFG Swans"), a company incorporated in the British Virgin Islands ("BVI") and 100% owned by Mr. Wu Di ("Mr. Wu"). Mr. Wu is the controlling shareholder (the "Controlling Shareholder") of the Company.

The Company is an investment holding company and its principal subsidiaries are principally engaged in the provision of smart manufacturing solutions including sales of equipment and provision of relevant technical service (the "Listing Business") in the People's Republic of China (the "PRC").

Prior to the reorganisation of the Group (the "Reorganisation"), the Listing Business was carried out by Hong Kong Cheng Phong Technology Limited ("Hong Kong Cheng Phong"), Bow Chak Industry (HK) Limited ("Bow Chak"), MGW Swans Ltd. ("MGW Swans") and Quick Tech Corporation Ltd. ("Quick Tech") (collectively, the "Operating Companies"), which were managed and beneficially owned by Mr. Wu. In preparation for the initial public offering and listing of the shares of the Company on GEM of the Stock Exchange (the "Listing"), the Group underwent the Reorganisation to establish the Company as the ultimate holding company of the Operating Companies. The Reorganisation was completed on 18 September 2017 and the Company's shares were listed on GEM of the Stock Exchange on 20 April 2018.

These financial statements are presented in Hong Kong dollar ("HK$"), unless otherwise stated, and have been approved for issue by the Board of the Company on 20 June 2018.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Immediately prior to and after the Reorganisation, the Listing Business, which is mainly conducted through the Operating Companies, were controlled by the Controlling Shareholder, Mr. Wu. Pursuant to the Reorganisation, the entity interest in the Operating Companies were transferred to and held by the Company. As the Company has not been involved in any other business prior to the Reorganisation and do not meet the definition of a business, the Reorganisation is merely a reorganisation of the Listing Business with no change in management of such business and the ultimate owner of the Listing Business remains the same. Accordingly, the consolidated financial statements has been prepared as a continuance of the Listing Business and were presented using the carrying values of the Listing Business under the Group.

The consolidated financial statements of the Group has been prepared in accordance with applicable Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622. The consolidated financial statements have been prepared under the historical cost convention.

New standards and interpretations not yet adopted

The following new standards, amendments to existing standards and interpretations have been issued but are not effective for the accounting period beginning 1 April 2017 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 9	Financial instruments	1 January 2018
HKFRS 15	Revenue from contracts with customers	1 January 2018
HKFRS 2 (Amendment)	Classification and measurement of share-based payment transactions	1 January 2018
HKFRS 4 (Amendment)	Amendments regarding implementation of HKFRS 9	1 January 2018
HKFRS 15 (Amendment)	Revenue from contracts with customers — clarifications	1 January 2018
Annual improvement 2014-2016	Amendments to other HKFRSs	1 January 2018
HKIFRIC 22	Foreign currency transactions and advance consideration	1 January 2018
HKAS 40 (Amendment)	Transfers of investment property	1 January 2018
HKFRS 16	Leases	1 January 2019
HKIFRIC 23	Uncertainty over income tax treatments	1 January 2019
HKFRS 10 and HKAS 28 (Amendment)	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

None of these is expected to be relevant or have material impact to the consolidated financial statements of the Group, except the following:

(a) HKFRS 15 establishes a comprehensive framework for determining when to recognise revenue and how much revenue to recognise through a 5-step approach: (1) identify the contract(s) with customer; (2) identify separate performance obligations in a contract; (3) determine the transaction price; (4) allocate transaction price to performance obligations; and (5) recognise revenue when performance obligation is satisfied. The core principle is that a company should recognise revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. It moves away from a revenue recognition model based on an "earnings processes" to an "asset-liability" approach based on transfer of control.

    HKFRS 15 provides specific guidance on capitalisation of contract cost and licence arrangements. It also includes a cohesive set of disclosure requirements about the nature, amount, timing and uncertainty of revenue and cash flows arising from the entity's contracts with customers.

    HKFRS 15 replaces the previous revenue standards: HKAS 18 Revenue and HKAS 11 Construction Contracts, and the related interpretations on revenue recognition.

    Currently, revenue from sales of equipment are recognised when the significant risks and rewards of ownership of the goods are transferred. The directors of the Company are in the process of assessing the impact of HKFRS 15 to the Group's revenue recognition. It is not expected that adoption of HKFRS15 will lead to significant changes to the Group's existing revenue recognition.

(b) HKFRS 9, "Financial instruments" is expected to be adopted by the Group for the financial year beginning on 1 April 2018. The major changes to the existing policies adopted by the Group includes:

— Changes on classification and measurement of financial assets and liabilities

HKFRS 9 replaces the multiple classification and measurement models for financial assets in HKAS 39 with a single model that has three classification categories: amortised cost, fair value through other comprehensive income and fair value through profit and loss. The classification and measurement of financial liabilities under HKFRS 9 remains the same as in HKAS 39 except where an entity has chosen to measure a financial liability at fair value through profit or loss.

The directors of the Company do not expect the changes on the classification and measurement models introduced by HKFRS 9 would have material impact on the Group's existing financial assets and liabilities, as they mainly comprised of loans and receivables and financial liabilities at amortised costs as determined under HKAS 39, which are similar to the financial assets and liabilities measured at amortised cost under HKFRS 9, and are expected to continuously be initially recognised at fair value and subsequently measured at amortised cost.

— Changes on the impairment model

HKFRS 9 introduce a new, forward looking, expected credit loss impairment model. The new rules mean that entities will have to record a day one loss equal to the 12-month expected credit loss on initial recognition of financial assets. HKFRS 9 contains a "three stages" approach which is based on the change in credit quality of financial assets since initial recognition. Assets move through the three stages as credit quality changes and the stages dictate how an entity measures impairment losses and applies the effective interest method. Where there has been a significant increase in credit risk, impairment is measured using lifetime expected credit loss rather than 12-month expected credit loss. The model includes operational simplifications for trade receivables. For trade receivables that do not contain a significant financing component, the loss allowance should be measured at initial recognition and throughout the life of the receivable at an amount equal to lifetime expected credit loss.

The directors of the Company expect the new impairment model introduced by HKFRS 9 will generally result in earlier recognition of losses compared to the current incurred loss model of HKAS 39. The Group is in the process of assessing the impact of HKFRS 9 of impairment model and considers that the adoption of the new standard of HKFRS 9 will not have significant impact on the Group's financial position and financial performance.

(c) HKFRS 16, "Leases"

The Group is a lessee of certain offices which are currently classified as operating leases. The Group's current accounting policy for such leases is to record the operating lease expenses in the Group's consolidated statement of comprehensive income for the current year with the disclosure of related operating lease commitments. HKFRS 16 provides new provisions for the accounting treatment of leases which no longer allows lessees to recognise leases outside of the consolidated statement of financial position. Instead, all non-current leases must be recognised in the form of assets (for the right of use) and financial liabilities (for the payment obligations) in the Group's consolidated statement of financial position. Short-term leases of less than twelve months and leases of low-value assets are exempt from such reporting obligation. The new standard will therefore result in a derecognition of prepaid operating leases, increase in right-of-use assets and increase in lease liabilities in the consolidated financial statement. In the consolidated statement of comprehensive income, as a result, the annual operating lease expenses under otherwise identical circumstances will decrease, while depreciation of right-of-use of assets and interest expense arising from the lease liabilities will increase. The new standard is not expected to apply until the financial year beginning on 1 April 2019.

The directors consider that the adoption of the new standard will not have material impact on the financial position and the financial performance of the Group as the Group only holds short-term leases of less than twelve months in a total amount of HK$289,000 as at 31 March 2018, which can be exempted from the reporting obligation under HKFRS 16.

3 REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the executive directors, who is responsible for allocating resources and assessing performance of the operating segment.

The Group is principally engaged in the provision smart manufacturing solutions of precision testing and precision machining, which comprises the sales of precision testing equipment and precision machining equipment as well as the provision of technical services. Management reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the company regards that there is only one segment which is used to make strategic decisions. Revenue and profit before income tax are the measure reported to the executive directors for the purpose of resources allocation and performance assessment.

All of the Group's revenue is derived in the PRC during the year ended 31 March 2018 (2017: same).

Revenue by nature:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Precision 3D testing solutions		
— Sales of equipment	**45,367**	23,300
— Technical services	**3,038**	2,506
	48,405	25,806
Precision machining solutions		
— Sales of equipment	**–**	16,127
— Technical services	**–**	1,559
	–	17,686
	48,405	43,492

Revenue by type of solutions:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Precision 3D testing solutions		
— Static 3D scanning	**29,446**	18,605
— Dynamic 3D scanning	**18,959**	7,201
	48,405	25,806
Precision machining solutions	**–**	17,686
	48,405	43,492

Revenues from transactions with external customers amounted to 10% or more of the Group's revenues are as follows:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Customer A	**15,704**	Not applicable*
Customer B	**7,840**	Not applicable*
Customer C	**Not applicable***	11,320
Customer D	**Not applicable***	8,480
Customer E	**Not applicable***	7,594
Customer F	**Not applicable***	6,657
Customer G	**Not applicable***	5,803

*Note**: The revenue of the particular customer for the particular year is less than 10% of the Group's revenue for the particular year.

4 EXPENSES BY NATURE

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Listing expenses	**26,081**	—
Cost of goods sold	**15,898**	16,826
Professional fees	**4,761**	486
Staff costs (including directors' emoluments)	**2,789**	2,170
Travelling expenses	**1,977**	1,227
Outsourcing research and development expenses	**672**	1,593
Entertainment expenses	**559**	303
Advertising and promotion fees	**423**	—
Office utilities	**394**	434
Operating lease payments	**393**	356
Depreciation and amortisation	**78**	24
Auditors' remuneration		
— Audit services	**1,050**	5
Other expenses	**1,126**	562
Total cost of sales, selling and marketing expenses and administrative expenses	**56,201**	23,986

5 INCOME TAX EXPENSE

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax	**1,970**	1,250
— Others	**1,652**	1,020
Deferred income tax	**141**	(83)
	3,763	2,187

No income tax relating to components of other comprehensive income was charged for the year ended 31 March 2018 (2017: same).

The tax on the Group's (loss)/profit before tax differs from the theoretical amount that would arise using income tax rate applicable to (loss)/profit of the consolidated entities as follows:

	Year ended 31 March	
	2018	2017
	HK$'000	*HK$'000*
(Loss)/Profit before income tax	**(7,472)**	19,446
Tax calculated at tax rates applicable to profit in the respective tax jurisdictions (a, b)	**2,070**	1,151
Provision in respect of the exposure to Hong Kong profits tax (c)	**1,652**	1,020
Expenses not deductible for tax purposes	**41**	16
	3,763	2,187

(a) Pursuant to the Corporate Income Tax Law of the PRC (the "CIT Law") and the Implementation Rules of the CIT Law in the PRC, the standard tax rate is 25% for the Group's subsidiaries and operations in the PRC.

On 11 December 2017, Quick Tech, the Group's subsidiary incorporated in the PRC, was awarded the High and New Technology Enterprise which effective for three years commencing on 1 January 2017 and is entitled to preferential income tax rate of 15% for these three years.

(b) Hong Kong Cheng Phong, Bow Chak and MGW Swans are the Group's subsidiaries incorporated in Hong Kong and BVI. However, their principal businesses for the year ended 31 March 2018 were carried out in the PRC (2017: same) and the related income was subject to PRC corporate income tax. Hong Kong Cheng Phong, Bow Chak and MGW Swans were approved by the PRC in-charge tax bureau to pay PRC income tax on a "deemed profit basis", according to which their taxable income was calculated at 15% of revenue for the year ended 31 March 2018 (2017: same).

(c) The applicable Hong Kong profits tax rate is 16.5% for profit sourced from businesses carried out in Hong Kong.

Hong Kong Cheng Phong and Bow Chak are Hong Kong registered companies and are required to submit annual tax filing to Hong Kong tax bureau. In their tax filing for prior years, Hong Kong Cheng Phong and Bow Chak have reported their income as onshore income and paid Hong Kong profits tax though they have also paid the PRC corporate income tax as mentioned by Note (b) above. Hong Kong Cheng Phong and Bow Chak plan to report their income as offshore income and therefore being exempted from Hong Kong profits tax in their tax filing for the year. However, the approval of the tax exemption by the Hong Kong tax authority cannot be ascertained at the date of these consolidated financial statements. Thus, Hong Kong Cheng Phong and Bow Chak have trued up their income tax provision according to 16.5% profits tax rate in Hong Kong.

No provision for Hong Kong profits tax was made for the Company's subsidiaries in Hong Kong other than Hong Kong Cheng Phong and Bow Chak because they do not have any assessable profits in Hong Kong for the year.

(d) The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and accordingly, is exempted from Cayman Islands income tax.

The Company's subsidiaries in BVI were incorporated under the International Business Companies Act of the British Virgin Islands and accordingly, are exempted from British Virgin Islands income tax.

6 (LOSSES)/EARNINGS PER SHARE

Basic (losses)/earnings per share is calculated by dividing the (loss)/profit for the year by the weighted average number of ordinary shares in issue during the year. In determining the weighted average number of the ordinary shares in issue for the year ended 31 March 2018, the 98,000 ordinary shares issued during the Reorganisation were deemed to be in issue throughout the year (2017: same). The (losses)/earnings per share has not taken into account the proposed capitalisation issue of 299,900,000 shares pursuant to the written resolution passed by the shareholders on 26 March 2018 as the capitalisation issue will not become effective until the Listing on 20 April 2018.

	Year ended 31 March	
	2018	2017
(Loss)/Profit for the year (HK$'000)	**(11,235)**	17,259
Weighted average number of ordinary shares in issue (number of shares)	**99,195**	98,000
Basic (losses)/earnings per share (HK$)	**(113.26)**	176.11

Diluted (losses)/earnings per share presented is the same as the basic (losses)/earnings per share as there were no potentially dilutive ordinary shares issued during the year ended 31 March 2018 (2017: same).

7 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 March 2018 (2017: nil).

8 TRADE RECEIVABLES

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Trade receivables	**31,087**	23,511

(a) Aging analysis of trade receivables based on invoice date is as follows:

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**27,902**	21,398
1 to 6 months	**–**	2,113
6 months to 1 year	**1,171**	–
1 to 2 years	**2,014**	–
	31,087	23,511

The majority of the Group's sales are made on letter of credit. The remaining sales are usually with credit terms of 30 days.

(b) As at 31 March 2018, trade receivables of HK$3,185,000 were past due but not impaired (2017: HK$2,113,000). These amounts related to a number of independent customers for whom there was no significant financial difficulty and based on past experience, the overdue amounts could be recovered. The ageing analysis of these trade receivables is as follows:

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
1 to 6 months	**–**	2,113
6 months to 1 year	**1,171**	–
1 to 2 years	**2,014**	–
	3,185	2,113

9 PREPAYMENTS

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Payments for listing expense (a)	**14,308**	–
Prepayments to suppliers	**2,960**	550
Prepaid outsourcing research and development expenses	**–**	557
	17,268	1,107

(a) The amounts represented listing expenses to be capitalised after the Listing.

10 TRADE PAYABLES

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Trade payables	**8,307**	2,182

(a) The ageing analysis of the trade payables were as follows:

	As at 31 March	
	2018	2017
	HK$'000	*HK$'000*
Within 30 days	**7,227**	1,649
1 to 6 months	**399**	–
1 to 2 years	**141**	533
2-3 years	**540**	–
	8,307	2,182

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a smart manufacturing solutions provider focusing on precision 3D testing solutions and precision machining solutions in China. The Company provides smart manufacturing solutions to serve the needs of high-end equipment manufacturers which require a high level of precision in the manufacture of their industrial products. Its solutions comprise and integrate various equipment and services, ranging from solution concept and design, procurement of machinery, auxiliary tools and software and system installation and debugging to provision of after-sales services such as technical support and training.

The shares of the Company were successfully listed on GEM of The Stock Exchange (the "Listing") on 20 April 2018, which marked a key milestone for the Group.

For the year ended 31 March 2018, the Group has put more marketing efforts on expanding. During the year, the Group had 19 projects, of which 10 projects were newly obtained and 9 projects were carried forward from prior years.

The Company is dedicated to being a pioneer in precision 3D testing and precision machining solution provider. The Company has undertaken research and development activities on technology applications, new auxiliary tools design and relevant software applications. Currently, the Company had 8 registered patents, including 3 invention patents and 5 utility model patents, and 5 pending invention patent registrations. The research and development team from time to time works with professors and researchers from established tertiary institutions through collaboration. During the year, the Company had collaboration with South China University of Technology and Taiyuan Institute of Technology, as well as with a professor from a technological university in Singapore. The Company successfully invented 3 technology applications in collaboration with South China University of Technology.

Looking ahead, the Company will keep abreast of the latest technological changes relevant to its industry by organising seminars and participating in exhibitions aiming to maintain its technology advantages and promote its integrated smart manufacturing solutions. In addition, the Company will establish its research and development centres in Beijing and Guangzhou, which will focus on research and development in solution design and technology applications. Moreover, the Company will establish offices in Xi'an and Chongqing to expand its business by increasing its sales coverage.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2018, the Group recorded revenue of approximately HK$48.4 million, representing an increase of 11.3% comparing with that of approximately HK$43.5 million for the year ended 31 March 2017. Set out below is the revenue breakdown of the Group for the two years ended 31 March 2018:

	Year ended 31 March					
	2018			2017		
	Revenue *HK$'000*	**% of revenue** %	**Gross Profit Margin** %	Revenue *HK$'000*	% of revenue %	Gross Profit Margin %
Precision 3D testing solutions:						
Static 3D scanning	**29,446**	**60.8**	**60.6**	18,605	42.8	75.1
Dynamic 3D scanning	**18,959**	**39.2**	**70.0**	7,201	16.5	78.5
Overall precision 3D testing solutions	**48,405**	**100.0**	**64.3**	25,806	59.3	76.0
Precision machining solutions	**—**	**—**	**—**	17,686	40.7	34.5
All solutions	**48,405**	**100.0**	**64.3**	43,492	100.0	59.1

The increase in revenue was mainly attributable to an increase of HK$22.6 million in sales of precision 3D testing solutions, partially offset by a decrease of HK$17.7 million in sales of precision machining solutions.

Precision 3D testing solutions: Revenue from precision 3D testing solutions increased by 87.6% to HK$48.4 million for the year ended 31 March 2018 from HK$25.8 million for the year ended 31 March 2017. This increase was mainly attributable to an increase in the number and total contract value of precision 3D testing solutions undertaken by the Group. For the year ended 31 March 2018, the Group's revenue was derived from 18 projects all of which the contract values were higher. For the year ended 31 March 2017, the Group has carried out 12 precision 3D testing solutions projects, 3 of which were of lower contract values as only technical services were provided in these 3 contracts.

Precision machining solutions: No revenue was derived from precision machining solutions for the year ended 31 March 2018 since the Company has been focusing on providing precision 3D testing solution and did not carry out any precision machining solutions projects for the year ended 31 March 2018. During the year ended 31 March 2018, the Company has undergoing the process of optimising and modifying its precision machining solutions to enhance its level of precision and efficiency and therefore did not actively explore new customers for this solution.

Cost of sales

Cost of sales decreased by 2.7% to HK$17.3 million for the year ended 31 March 2018 from HK$17.8 million for the year ended 31 March 2017, the decrease in cost of sales was mainly due to the solutions carried out by the Group were all precision 3D testing solutions which generally have a higher profit margin.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 21.0% to HK$31.1 million for the year ended 31 March 2018 from HK$25.7 million for the year ended 31 March 2017. Its gross profit margin increased to 64.3% for the year ended 31 March 2018 from 59.1% for the year ended 31 March 2017, which was primarily because the Group carried out 18 precision 3D testing solutions and no precision machining solution during the year ended 31 March 2018 compared to 12 precision 3D testing solutions and 5 precision machining solutions of lower gross profit margin during the year ended 31 March 2017.

Selling and marketing expenses

Selling and marketing expenses increased by 46.5% to HK$1.8 million for the year ended 31 March 2018 from HK$1.3 million for the year ended 31 March 2017. This increase was mainly attributable to an increase of HK$0.4 million in advertising and promotion fees as the Company has enhanced its marketing efforts.

Administrative expenses

Administrative expenses increased by 648.4% to HK$37.1 million for the year ended 31 March 2018 from HK$5.0 million for the year ended 31 March 2017. This increase was mainly attributable to (i) an increase of HK$26.1 million in non-recurring listing expenses; and (ii) an increase of HK$4.3 million in professional fees mainly due to occurrence of some consultation fees for its Reorganisation.

Income tax expense

The Company had an income tax expense of HK$3.8 million for the year ended 31 March 2018.

It comprised of PRC corporate income tax of HK$2.1 million for the income of the subsidiaries derived from the PRC and the provision of HK$1.7 million for Hong Kong taxation.

The calculation of effective tax rate was not applicable as the Group had recorded a loss before income tax of approximately HK$7.5 million mainly attributable to the non-recurring listing expenses during the year.

(Loss)/Profit for the year

The Company recorded a loss of HK$11.2 million for the year ended 31 March 2018 compared to a profit of HK$17.3 million for the year ended 31 March 2017. The net profit margin decreased from 39.7% for the year ended 31 March 2017 to a net loss margin of 23.2% for the year ended 31 March 2018.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The net cash used in operating activities was approximately HK$0.6 million for the year ended 31 March 2018. During the year, the Group managed its working capital with operating profits and by matching the receipt of payment from its customers and payment to its suppliers.

As at 31 March 2018, the net current assets of the Group were approximately HK$4.3 million (31 March 2017: net current assets of HK$14.6 million). The decrease was primarily attributable to an increase in other payables of HK$29.0 million mainly due to the unpaid listing expenses, offset by the increase in prepayments.

As at 31 March 2018, the cash and cash equivalent of the Group was approximately HK$1.5 million (2017: approximately HK$2.3 million).

As at 31 March 2018, the Group did not have any bank borrowings and other interest-bearing borrowings.

CONTINGENT LIABILITIES

As at 31 March 2018, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2018, the Group had the following non-cancellable operating lease commitments:

	HK$'000
No later than 1 year	289

PLEDGE OF ASSETS

As at 31 March 2018, the Group did not have any pledge on its assets.

EXCHANGE RATE RISK EXPOSURE

For the operating entities of the Company that are incorporated in Hong Kong and the British Virgin Islands, their functional currencies are US$. As certain trade and other receivables, bank balances, trade and other payables of overseas entities are denominated in HK$ or Euro ("EUR"), currencies other than the functional currencies of the entities may cause the foreign exchange risk. Under the Linked Exchange Rate System in Hong Kong, HK$ is pegged to US$, the Board considers that there is no significant foreign exchange risk with respect to HK$. Therefore, the foreign exchange risk mainly arises from the monetary assets and liabilities denominated in EUR, which the Board considers as not significant to the Group.

The Group has not entered into any forward exchange contract to hedge its exposure to foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2018, the Group did not hold any significant investments.

Other financial assets

As at 31 March 2018, other financial assets held by the Group comprise:

— Account receivables of HK$31.1 million;

— Cash and bank deposits of HK$1.5 million; and

— Other receivables of HK$0.2 million.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Except for the investment regarding research and development centres as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 March 2018 (the "Prospectus"), as at 31 March 2018, the Group did not have any plans for material investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the year ended 31 March 2018, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as Reorganisation for the Listing.

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 20 employees (including executive Directors) as at 31 March 2018 (2017: 13 employees). The Company relies on its employees to provide smart manufacturing solutions to its customers. In order to recruit, develop and retain talented employees, the Group offers competitive remuneration packages to its staff, including internal promotion opportunities and performance based bonus. For the year ended 31 March 2018, the Company has long term employment contracts with all of its senior management for four years or more as personnel especially management and skilled employees are one of its greatest assets and stability of such personnel is crucial to its business operations. The Company generally has a fixed term employment contract with its employees such as administrative and finance staff and the Company generally renews the employment contract with such employees on a yearly basis. For the year ended 31 March 2018, the Company has also entered into a confidentiality and non-competition agreement with all of its employees which sets out the confidentiality clause and non-competition clause during and after the employment. In addition, all intellectual properties or technical achievement obtained during employment and after a year upon leaving are owned by the Company.

The Group also reviews the performance of the Group's staff periodically and considers 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 on the section headed "Statutory and General Information — 13. Share Option Scheme" in Appendix IV to the Prospectus.

The Company provides induction training and on-going training to its employees in order to enhance their technical skills and product understanding.

The remuneration committee of the Company (the "Remuneration Committee") shall make recommendation to its Board on the overall remuneration policy and structure relating to all Directors and senior management; review remuneration proposals of the management with reference to its Board's corporate goals and objectives; and ensure none of its Directors or any of their associates determine their own remuneration.

USE OF PROCEEDS

Reference is made to the announcement of the Company dated 19 April 2018, based on the Offer Price of HK$0.65 per Offer Share, the net proceeds from the Share Offer received by the Company and after deducting the underwriting fees and commissions and expenses payable by the Company in relation to the Share Offer, is approximately HK$25.0 million. The Company currently intends to apply such net proceeds as follows:

— Approximately HK$11.9 million (approximately 47.7% of the total estimated net proceeds) for establishing research and development centres in Beijing and Guangzhou and further research and development expenditures relating to product research and development, recruitment and provision of training for technical staff;

— Approximately HK$6.8 million (approximately 27.0% of the total estimated net proceeds) for business expansion including establishment of sales branches in different regions in China, expansion of office premises, recruitment of management and local salesforces for various branches and provision of relevant internal and external training;

— Approximately HK$3.8 million (approximately 15.3% of the total estimated net proceeds) for organising seminars, participating in local and international exhibitions and developing and implementing advertising plans; and

— Approximately HK$2.5 million (approximately 10.0% of the total estimated net proceeds) for working capital and general corporate purposes.

Please refer to the section headed "Future plans and use of proceeds" in the Prospectus for further details of the Company's intended use of net proceeds from the Share Offer.

The net proceeds from the Share Offer received by the Company after deducting the underwriting fees and commissions and expenses by the Company in relation to the Share Offer was approximately HK$25.0 million which was lower than the net proceeds disclosed in the Announcement of Offer Price and Allotment Results issued by the Company on 19 April 2018. The decrease in net proceeds was mainly due to the additional administrative charges for printing services and professional fees incurred in connection with the Share Offer.

As of the date of this announcement, there were no changes of the business plans from those disclosed in the Prospectus, and none of the net proceeds had been utilised. The net proceeds will be applied in the manner consistent with the use of proceeds as disclosed in the Prospectus.

The Company has opened and maintained separate bank account(s) in certain licensed banks in Hong Kong designated for the proceeds from the Share Offer. All the unutilised balances have been placed in the designated bank account(s) in those licensed banks in Hong Kong.

The Directors will constantly evaluate the Group's business strategies and objectives and where appropriate will change or modify the plans against the changing market condition to suit the business growth of the Group.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As the Listing took place on 20 April 2018, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 March 2018.

CORPORATE GOVERNANCE PRACTICES

The corporate governance practices of the Group are based on the principles and the code provisions in the Corporate Governance Code (the "Code") as set out in Appendix 15 to the GEM Listing Rules.

There was a deviation from code provision A.2.1 of the Code which stipulates that the roles of chairman and chief executive should be separated and should not be performed by the same individual. The Company considers that having Mr. Wu Di acting as both its chairman of the Board and its chief executive officer will provide a strong and consistent leadership to the Group and allow for more effective planning and management for the Group. In view of Mr. Wu Di's extensive experience in the industry, personal profile and critical role in the Group and its historical development, the Company considers that it is beneficial to the business prospects of the Group that Mr. Wu Di continues to act as both its chairman and its chief executive officer.

Save as disclosed in the above, the Company has complied with the applicable code provisions as set out in the Code as set out in Appendix 15 to the GEM Listing Rules since the date of Listing.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN 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 "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 or she has complied with the required Standard of Dealings from the date of Listing (i.e. 20 April 2018) and up to the date of this announcement.

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 March 2018 (2017: nil).

EVENTS AFTER THE REPORTING PERIOD

Save as the Listing, no significant events have occurred since 31 March 2018.

AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") with effect from 26 March 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 annual results of the Group for the year ended 31 March 2018 have been reviewed by the Audit Committee in a meeting held on 20 June 2018.

By order of the Board
Zhicheng Technology Group Ltd.
Wu Di
Chairman

Hong Kong, 20 June 2018

As at the date of this announcement, the executive Directors are Mr. Wu Di and Ms. Liu Zhining; and the independent non-executive Directors are Mr. Tang Yong, Mr. Xing Shaonan and Mr. Tan Michael Zhen Shan.

This announcement will remain at the "Latest Company Announcements" page of the GEM website at www.hkgem.com for at least seven days from the date of its posting and on the website of the Company at www.ztecgroup.com.