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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 2019

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 2019, together with the comparative audited figures for the year ended 31 March 2018 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

		Year ended 31 March	
	Note	**2019**	2018
		HK$'000	*HK$'000*
Revenue	*3*	**52,397**	48,405
Cost of sales	*4*	**(25,127)**	(17,290)
Gross profit		**27,270**	31,115
Selling and marketing expenses	*4*	**(4,470)**	(1,839)
Administrative expenses	*4*	**(13,777)**	(37,072)
Other income		**93**	356
Other losses — net		**(37)**	(35)
Operating profit/(loss)		**9,079**	(7,475)
Finance income		**292**	3
Profit/(Loss) before income tax		**9,371**	(7,472)
Income tax expense	*5*	**(2,060)**	(3,763)
Profit/(Loss) attributable to:			
Owners of the Company		**7,311**	(11,235)
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(70)**	–
Other comprehensive income for the year, net of tax		**(70)**	–
Total comprehensive income attributable to:			
Owners of the Company		**7,241**	(11,235)
Earnings/(Losses) per share			
— Basic and diluted (HK$)	*6*	**0.02**	(0.04)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 March 2019

	Note	As at 31 March 2019 HK$'000	2018 HK$'000
ASSETS			
Non-current assets			
Equipment		**172**	95
Intangible assets		**1,179**	403
		1,351	498
Current assets			
Trade receivables	*8*	**39,751**	31,087
Amounts due from a related party		**–**	3,734
Other receivables		**1,581**	246
Prepayments		**16,937**	17,268
Restricted cash		**408**	429
Cash and cash equivalents		**9,976**	1,530
		68,653	54,294
Total assets		**70,004**	54,792
EQUITY			
Equity attributable to owners of the Company			
Share capital		**312**	–
Other reserves		**52,971**	1,806
Retained earnings		**9,411**	2,955
Total equity		**62,694**	4,761
LIABILITIES			
Current liabilities			
Trade payables	*9*	**1,546**	8,307
Amounts due to a related party		**–**	10,155
Other payables		**3,134**	31,076
Contract Liabilities		**255**	–
Advances from customers		**–**	62
Current income tax liabilities		**2,375**	431
Total liabilities		**7,310**	50,031
Total equity and liabilities		**70,004**	54,792

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Zhicheng Technology Group Ltd. (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 subsidiaries are principally engaged in the provision of smart manufacturing solutions including sales of equipment and provision of relevant technical service in the People's Republic of China (the "**PRC**").

The shares of the company were listed on GEM of The Stock Exchange of Hong Kong Limited (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 directors (the "**Board**") of the Company on 20 June 2019.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

(a) Compliance with Hong Kong Financial Reporting Standards ("HKFRS") and Hong Kong Companies Ordinance (Cap. 622)

The consolidated financial statements of the Group have been prepared in accordance with all applicable HKFRS and the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622).

(b) Historical cost convention

The consolidated financial statements have been prepared under the historical cost convention.

(c) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing on 1 April 2018:

HKFRS 9	Financial instruments
HKFRS 15	Revenue from contracts with customers
HK(IFRIC) 22	Foreign currency transactions and advance consideration
Annual Improvements 2014–2016 cycle	Annual Improvements

The Group had to change its accounting policies and make certain adjustments following the adoption of HKFRS 9 and HKFRS 15. The other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(d) ***New standards, amendments to standards and interpretations not yet adopted***

The following new standards, amendments to existing standards and interpretations have been issued but are not yet effective for the accounting period beginning 1 April 2018 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
HKFRS 16	Leases	1 January 2019
HK(IFRIC) 23	Uncertainty over income tax treatments	1 January 2019
Amendments to HKFRS 9	Prepayment features with negative compensation	1 January 2019
Amendments to HKAS 28	Long-term interests in associates and joint ventures	1 January 2019
Amendments to HKAS 19	Plan amendment, curtailment or settlement	1 January 2019
Annual Improvements to HKFRS Standards 2015-2017 Cycle	Improvements to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23	1 January 2019
Amendments to HKFRS 3	Definition of a Business	1 January 2020*
Amendments to HKAS 1 and HKAS 8	Definition of a Material	1 January 2020
HKFRS 17	Insurance contracts	1 January 2021
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

Note:* Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020.

The Group's assessment of the impact about below new standard that is expected to be applicable to the Group is as follows:

HKFRS 16 Leases

<u>Nature of change</u>

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet by lessees, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

<u>Impact</u>

The Group is a lessee of certain offices and staff quarters 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 statements 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 statement of financial position. In the consolidated statements 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 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$214,000 as at 31 March 2019, which can be exempted from the reporting obligation under HKFRS 16.

Date of adoption by the Group

HKFRS 16 is mandatory for financial years commencing on or after 1 January 2019. At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

2.2 Changes in accounting policies

This note explains the impact of the adoption of HKFRS 9 Financial Instruments and HKFRS 15 Revenue from Contracts with Customers on the Group's consolidated financial statements.

(a) Impact on the financial statements

The Group applied the modified retrospective approach to adopt HKFRS 9 and HKFRS 15 without restating comparative information. The reclassifications and the adjustments arising from the new accounting policies are therefore not reflected in the consolidated statement of financial position as at 31 March 2018, but are recognised in the opening consolidated statement of financial position on 1 April 2018. The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. The adjustments are explained in more detail below.

Consolidated statement of financial position (extract)	**31 March 2018 As originally presented** *HK$'000*	**HKFRS 15** *HK$'000*	**1 April 2018 Restated** *HK$'000*
Current liabilities			
— Advances from customers	62	(62)	–
— Contract liabilities	–	62	62

(b) HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting. The adoption of HKFRS 9 by the Group resulted in changes in accounting policies.

(i) Classification and measurement

On 1 April 2018 (the date of initial application of HKFRS 9), the Group has financial assets mainly in the category of loans and receivables, which are measured at amortised cost. Accordingly, the new standard does not affect the classification and measurement of these financial assets. There is also no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from HKAS 39 Financial Instruments: Recognition and Measurement and have not been changed.

(ii) Impairment of financial assets

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under HKAS 39. The Group's financial assets which are subject to new ECL model of HKFRS 9 mainly include trade and other receivables.

The Group applies the HKFRS 9 simplified approach to measuring ECL which uses a lifetime expected loss allowance for trade receivables. Impairment of other receivables are measured as either 12-month ECL or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition.

The Group established ECL model based on historical settlement records, past experience and available forward-looking information. The Group has reviewed its financial assets and has not identified any significant impact as at 1 April 2018 from the adoption of ECL model.

(c) HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in HKFRS 15, comparative figures have not been restated.

The Group has assessed its performance obligations under its arrangements pursuant to HKFRS 15 and has concluded that there are no significant difference between the performance obligations required to be units of account under HKFRS 15 and deliverables considered to be units of account under HKAS 18 and the consideration is allocated to its performance obligations based on the relative fair value of each deliverables both under HKFRS 15 and HKAS 18.

Based on the Group's assessment, there was no material impact to the consolidated financial statements of the Group upon the adoption of HKFRS 15.

The effects of the adoption of HKFRS 15 is as below:

Presentation of contract liabilities

Amounts received from customers in advance which were previously presented as advances from customers are reclassified as contract liabilities.

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 2019 (2018: same).

Revenue by nature:

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Precision 3D testing solutions:		
— Sales of equipment	**42,149**	45,367
— Technical services	**7,568**	3,038
	49,717	48,405
Precision machining solutions:		
— Sales of equipment	**2,581**	–
— Technical services	**99**	–
	2,680	–
	52,397	48,405

Revenue by type of solutions:

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Precision 3D testing solutions:		
— Static 3D scanning	**45,070**	29,446
— Dynamic 3D scanning	**4,647**	18,959
	49,717	48,405
Precision machining solutions	**2,680**	–
	52,397	48,405

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

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Customer A	**12,333**	Not applicable*
Customer B	**7,969**	Not applicable*
Customer C	**Not applicable***	15,704
Customer D	**Not applicable***	7,840

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	
	2019	2018
	HK$'000	*HK$'000*
Cost of goods sold	**23,519**	15,898
Staff costs (including directors' emoluments)	**5,222**	2,789
Travelling expenses	**3,997**	1,977
Outsourcing research and development expenses	**3,221**	672
Professional Fees	**2,783**	4,761
Entertainment expenses	**1,582**	559
Auditors' remuneration	**1,057**	1,050
Depreciation and amortisation	**138**	78
Listing expenses	**–**	26,081
Other expenses	**1,855**	2,336
Total cost of sales, selling and marketing expenses and administrative expenses	**43,374**	56,201

5 INCOME TAX EXPENSE

	Year ended 31 March	
	2019	2018
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax	**2,060**	1,970
— Others	**–**	1,652
Deferred income tax	**–**	141
	2,060	3,763

No income tax relating to components of other comprehensive income was charged for the year ended 31 March 2019 (2018: same).

6 EARNINGS/(LOSSES) PER SHARE

Basic earnings/(losses) per share is calculated by dividing the profit/(loss) for the year by the weighted average number of ordinary shares in issue during the year. Capitalisation issue of 299,900,000 shares to the then shareholders of the Company as of 26 March 2018 has been taking into account in determining the weighted average number of ordinary shares.

	Year ended 31 March	
	2019	2018
Profit/(Loss) for the year (HK$'000)	**7,311**	(11,235)
Weighted average number of ordinary shares in issue (number of shares)	**394,795,000**	297,584,000
Basic earnings/(losses) per share (HK$)	**0.02**	(0.04)

Diluted earnings/(losses) per share presented is the same as the basic earnings/(losses) per share as there were no potentially dilutive ordinary shares issued during the year ended 31 March 2019 (2018: same).

7 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 March 2019 (2018: nil).

8 TRADE RECEIVABLES

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Trade receivables (a)	**39,062**	31,087
Notes receivable (b)	**689**	–
	39,751	31,087

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

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**27,860**	27,902
1 to 6 months	**8,395**	–
6 months to 1 year	**2,807**	1,171
1 to 2 years	**–**	2,014
	39,062	31,087

(b) As at 31 March 2019, notes receivable of the Group was bank acceptance note, with due period of 6 months.

9 TRADE PAYABLES

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Trade payables	**1,546**	8,307

Aging analysis of the trade payables is as follows:

	As at 31 March	
	2019	2018
	HK$'000	*HK$'000*
Within 30 days	**849**	7,227
1 to 6 months	**575**	399
6 months to 1 year	**21**	–
1 to 2 years	**20**	141
2-3 years	**–**	540
Over 3 years	**81**	–
	1,546	8,307

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

The Group is a smart manufacturing solution 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 aftersales services such as technical support and training.

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

For the year ended 31 March 2019, the Group continued to strengthen its sales efforts, actively approached new customers in various industries and regions, as well as strengthening the relationship with existing customers. During the year, the Group has expanded its sales channels and business coverage and enhanced its sales strength through establishment of sales branches in Xi'an and Chongqing as well as recruitment of 5 new sales employees. Benefited from its sales efforts, the Group obtained a total of 25 new projects, and 17 new projects together with 12 projects which were carried forward from prior years, were completed during the year. As at 31 March 2019, the Group had 8 projects, all of which were new projects obtained during the financial year.

The Company is dedicated to be a pioneer in precision 3D testing and precision machining solution provider, and has been aiming at new technology and new product development, as well as continuously undertaking research and development activities on technology applications, new auxiliary tools design and relevant software applications. For the year ended 31 March 2019, the Group had 8 registered patents, including 5 invention patents and 3 utility model patents, and 10 invention patent registrations plus 7 utility model patents in the registration process.

The smart manufacturing solution market where the Group partakes in features high technological requirements and rapid fresh cycle for technology. To align closely with the latest and forthcoming technology, the Group would continuously set up our own research and development team during the year and seek technological cooperation with prestigious colleges and universities proactively. On the other hand, the Group held two large-scale product application seminars in Zhuhai and Luoyang respectively for its existing and potential clients during the year and achieved great success. By virtue of the technological edges of the Group in the industry, the Group will continue to promote the integrated smart manufacturing solutions, and understand the industrial evolution and promote the Company's products by organizing seminars and participation in exhibitions.

Looking forward, the Group will continue to actively develop new markets and approach new customers on the basis of strengthening the existing ones, gain more projects through setting up of sales points to expand sales coverage areas, and maintain a market leading edge through participating in seminars and industry exhibitions to understand market development and customer needs. Meanwhile, the Group will continue to devote more efforts into research and development, improve existing products and technologies, develop advanced new products and technologies, expand the scope of application of solutions provided by the Group, and reduce project costs, aiming to maintain its edge in terms of technology.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2019, the Group recorded revenue of approximately HK$52.4 million, representing an increase of 8.2% comparing with that of approximately HK$48.4 million for the year ended 31 March 2018. Set out below is the revenue breakdown of the Group for the year:

	Year ended 31 March					
	2019			2018		
	Revenue	**% of revenue**	**Gross Profit Margin**	Revenue	% of revenue	Gross Profit Margin
	HK$'000	**%**	**%**	*HK$'000*	%	%
Precision 3D testing solutions						
Static 3D scanning	**45,070**	**86.0**	**54.4**	29,446	60.8	60.6
Dynamic 3D scanning	**4,647**	**8.9**	**51.2**	18,959	39.2	70
Overall precision 3D testing solutions	**49,717**	**94.9**	**54.1**	48,405	100	64.3
Precision machining solutions	**2,680**	**5.1**	**15.9**	–	–	–
All solutions	**52,397**	**100**	**52.0**	48,405	100	64.3

The increase in revenue was mainly attributable to an increase of HK$1.3 million in sales of precision 3D testing solutions and an increase of HK$2.7 million in sales of precision machining solutions.

Precision 3D testing solutions: Revenue from precision 3D testing solutions increased by 2.7% to HK$49.7 million for the year ended 31 March 2019 from HK$48.4 million for the year ended 31 March 2018. This increase was mainly attributable to increase in the number of precision 3D testing solutions projects undertaken by the Group. For year ended 31 March 2019, the Group's revenue was derived from 31 projects, including 14 projects generating service income exclusively, and these service projects had a relatively lower return. For the year ended 31 March 2018, the Group had carried out 18 precision 3D testing solutions projects, including 5 projects generating service income exclusively. Therefore, the growth of revenue is not comparative with the increase of projects.

Precision machining solutions: For the year ended 31 March 2019, the Company has carried out 3 precision machining solutions projects and recorded a revenue of HK$2.7 million. For the year ended 31 March 2018, no revenue was derived from precision machining solution since the Company has been focusing on providing precision 3D testing solution and did not carry out any precision machining solutions projects.

Cost of sales

Cost of sales increased by 45.3% to HK$25.1 million for the year ended 31 March 2019 from HK$17.3 million for the year ended 31 March 2018, the increase in cost of sales was mainly due to an increase in the number of precision 3D testing solutions and precision machining solutions undertaken by the Group comparing with that of last year.

Gross profit and gross profit margin

Gross profit decreased by 12.4% to HK$27.3 million for the year ended 31 March 2019 from HK$31.1 million for the year ended 31 March 2018. Its gross profit margin decreased to 52.0% for the year ended 31 March 2019 from 64.3% for the year ended 31 March 2018, which was primarily due to (i) part of precision 3D testing solutions projects carried out during this year were focused on providing indigenous modules and the gross profit margins were relatively low; and (ii) 3 precision machining solutions with relatively low gross profit margin were also carried out during this year, the projects carried out for the year ended 31 March 2018 were precision 3D testing solutions projects focusing on providing imported modules which have relatively higher gross profit margin.

Selling and marketing expenses

Selling and marketing expenses increased by 143.1% to HK$4.5 million for the year ended 31 March 2019 from HK$1.8 million for the year ended 31 March 2018. This increase was mainly attributable to an increase of HK$0.7 million in staff cost mainly due to the expansion of selling and marketing team, and HK$1.2 million in travelling expenses as the Company has enhanced its marketing efforts.

Administrative expenses

Administrative expenses decreased by 62.8% to HK$13.8 million for the year ended 31 March 2019 from HK$37.1 million for the year ended 31 March 2018. The decrease was mainly due to the absence of listing expenses of HK$26.1 million, which was offset by an increase of HK$2.8 million in expenses arising from operation expansion.

Income tax expense

The Company had an income tax expense of HK$2.1 million for the year ended 31 March 2019 mainly for the income of the subsidiaries derived from the PRC (2018: HK$3.8 million).

The Group had recorded a profit before income tax of approximately HK$9.4 million for the year ended 31 March 2019, and effective income tax rate of 22.0%.

Profit for the year

The Company recorded a profit of HK$7.3 million for the year ended 31 March 2019 compared to a loss of HK$11.2 million for the year ended 31 March 2018. The net profit margin for the year ended 31 March 2019 was 14.0% and the net loss margin for the year ended 31 March 2018 was 23.2%.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The net cash used in operating activities was approximately HK$24.0 million for the year ended 31 March 2019. During the year, the Group aimed to manage 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 2019, the net current assets of the Group were approximately HK$61.3 million (31 March 2018: net current assets of HK$4.3 million). The increase was primarily attributable to the increase in trade receivables of HK$8.7 million and in cash and cash equivalents of HK$8.4 million, besides the decrease in other payables of HK$27.9 million mainly due to the settlement for unpaid listing expenses and amounts due to a related party of HK$10.2 million.

As at 31 March 2019, the cash and cash equivalents of the Group was approximately HK$10.0 million (2018: approximately HK$1.5 million).

As at 31 March 2019, the Group did not have any bank borrowings and other interest-bearing borrowings.

CONTINGENT LIABILITIES

As at 31 March 2019, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2019, the Group did not have any capital commitments.

PLEDGE OF ASSETS

As at 31 March 2019, 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 United States dollars ("**US$**"). As certain trade and other receivables, bank balances, trade and other payables of overseas entities are denominated in Hong Kong dollars ("**HK$**") 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 forward exchange contract to hedge its exposure to foreign exchange risk.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2019, the Group did not hold any significant investments.

Other financial assets

— Trade receivables of HK$39.8 million;

— Cash and bank deposits of HK$10.0 million; and

— Other receivables of HK$1.6 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 2019, 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 2019, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 29 employees (including executive Directors) as at 31 March 2019 (2018: 20 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 2019, 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 are 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 2019, 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 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

The Shares were listed on GEM of the Stock Exchange on 20 April 2018 (the "**Listing**"), and all of the funds raised from the initial public offering have been received within the year ended 31 March 2019. The Company intended to apply the net proceeds in the manner as described in the section headed "Use of Proceeds" of the annual report of the Company dated 27 June 2018 ("**2018 Annual Report**"). As at 31 March 2019, all of the unutilised net proceeds have been deposited into bank accounts under the name of the Group.

Set out below is the use of the net proceeds for the year ended 31 March 2019:

Use of proceeds	**Amount of planned use according to the 2018 annual Report**	**Amount used up to 31 March 2019**	**Remaining balance**	**Expected time of full utilization of the remaining balance**
	HK$ million	*HK$ million*	*HK$ million*	
Establishing our own research and development centres and further research and development expenditures relating to product research and development, recruitment and provision of training for technical staff	11.9	6.8	5.1	March 2020
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	6.8	3.1	3.7	March 2020
Organising seminars, participating in local and international exhibitions and developing and implementing advertising plans	3.8	1.8	2.0	March 2020
Working capital and general corporate purposes	2.5	1.2	1.3	March 2020
	25	12.9	12.1	

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 year ended 31 March 2019.

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 Rules Governing the Listing of Securities on GEM (the "**GEM Listing Rules**") of the Stock Exchange.

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 above, the Company has complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules for the period from the date of Listing to 31 March 2019.

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, except for Mr. Wu Di, has confirmed that he or she has complied with the required Standard of Dealings for the period from the date of Listing (i.e. 20 April 2018) to 31 March 2019.

Since the date of Listing and up to the date of this announcement, Mr. Wu, the chairman of the Board and the sole director of IFG Swans Holding Ltd. ("**IFG Swans**"), a controlling shareholder of the Company, had one non-compliant incident in relation to the entering of a placing agreement by IFG Swans. Mr. Wu had overlooked the required notification procedures as required under Rules 5.48 to 5.67 of the GEM Listing Rules and entered into a placing agreement concerning the placing of certain shares held by IFG Swans. Upon realising such non-compliance, Mr. Wu had promptly taken initiative and action to terminate the relevant placing agreement. Please refer to the clarification announcement published by the Company on 31 May 2019 for the chronology of events of such non-compliant incident. As the placing agreement was subsequently terminated, no shares of the Company have ever been placed to any placee and no shareholders' interest was undermined or affected by the attempted placing.

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 March 2019 (2018: nil).

EVENTS AFTER THE REPORTING PERIOD

No significant events have occurred since 31 March 2019.

AUDIT COMMITTEE

The Company established an Audit Committee on 26 March 2018 in compliance with the GEM Listing Rules. The Company has adopted written terms of reference in compliance with Rule 5.28 and code provision C.3.3 of the Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Audit Committee are mainly to make recommendation to the Board on the appointment and removal of external auditor; monitor the integrity of the financial statements, annual reports and interim reports and review significant financial reporting judgements contained therein; and oversee financial reporting system, risk management and internal control procedures.

The Audit Committee consists of three members who are Mr. Xing Shaonan (the Chairman), Mr. Tang Yong and Mr. Tan Michael Zhen Shan (independent non-executive Directors).

The annual results of the Group for the year ended 31 March 2019 have been reviewed by the Audit Committee in a meeting held on 20 June 2019.

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

Hong Kong, 20 June 2019

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.