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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 2020

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

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

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

*This announcement, for which the directors (the "**Directors**") of 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 2020, together with the comparative audited figures for the year ended 31 March 2019 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Year ended 31 March	
	Note	**2020**	2019
		HK$'000	*HK$'000*
Revenue	*3*	**54,892**	52,397
Cost of sales	*4*	**(23,760)**	(25,127)
Gross profit		**31,132**	27,270
Selling and marketing expenses	*4*	**(5,460)**	(4,470)
Administrative expenses	*4*	**(19,398)**	(13,777)
Net impairment losses on financial assets		**(324)**	–
Other income		**291**	93
Other losses — net		**(62)**	(37)
Operating profit		**6,179**	9,079
Finance income		**20**	292
Profit before income tax		**6,199**	9,371
Income tax expense	*5*	**(3,061)**	(2,060)
Profit attributable to:			
Owners of the Company		**3,138**	7,311
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Currency translation differences		**(1,920)**	(70)
Other comprehensive income for the year, net of tax		**(1,920)**	(70)
Total comprehensive income attributable to:			
Owners of the Company		**1,218**	7,241
Earnings per share			
— Basic and diluted (HK$)	*6*	**0.01**	0.02

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 March	
	Note	**2020**	2019
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Equipment		**146**	172
Intangible assets		**6,048**	1,179
Deferred income tax assets		**108**	–
		6,302	1,351
Current assets			
Trade receivables	*8*	**35,152**	39,751
Other receivables		**2,735**	1,581
Prepayments		**21,802**	16,937
Restricted cash		**128**	408
Cash and cash equivalents		**13,147**	9,976
		72,964	68,653
Total assets		**79,266**	70,004
EQUITY			
Equity attributable to owners of the Company			
Share capital		**312**	312
Other reserves		**52,356**	52,971
Retained earnings		**11,244**	9,411
Total equity		**63,912**	62,694
LIABILITIES			
Current liabilities			
Trade payables	*9*	**5,199**	1,546
Other payables		**6,313**	3,134
Contract liabilities		**181**	255
Current income tax liabilities		**3,661**	2,375
Total liabilities		**15,354**	7,310
Total equity and liabilities		**79,266**	70,004

NOTES

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., a company incorporated in the British Virgin Islands ("**BVI**") and 100% owned by Mr. Wu Di ("**Mr. Wu**"). Mr. Wu is 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 8 June 2020.

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 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 1 April 2019:

- HKFRS 16 "Leases"
- Amendments to HKFRS 9 "Prepayment features with negative compensation"
- Amendments to HKAS 28 "Long-term interests in associates and joint ventures"
- Annual Improvements to HKFRS Standards 2015–2017 Cycle
- Amendments to HKAS 19 "Plan amendment, curtailment or settlement"
- Interpretation 23 "Uncertainty over income tax treatments"

Save for the impact of adoption of HKFRS 16 as disclosed in Note 2.2, 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 2019 and have not been early adopted by the Group.

		Effective for annual periods beginning on or after
Amendments to HKAS 1 and HKAS 8	Definition of material	1 January 2020
Amendments to HKFRS 3	Definition of a business	1 January 2020
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting	1 January 2020
Amendments to HKAS 39, HKFRS 7 and HKFRS 9	Hedge accounting	1 January 2020
Amendments to HKAS 1	Classification of liabilities as current	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
Amendments to HKFRS 10 and HKAS 28	Sale or contribution of assets between an investor and its associate or joint venture	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. According to the preliminary assessment made by the Group, no significant impact on the financial performance and position of the Group is expected when they become effective.

2.2 Changes in accounting policies

The Group has adopted HKFRS 16 Leases from 1 April 2019, applied the simplified transition approach and has not restated comparatives for the year ended 31 March 2019 as permitted by the standard. The adoption of the new standard did not have material impact on the Group's financial position as at 31 March 2020 and financial performance for the year ended 31 March 2020 as the Group only had short-term leases with lease term of less than twelve months, 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 are 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 regard 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 was derived in the PRC during the year ended 31 March 2020 (2019: same).

All of the Group's non-current assets were located in the PRC as at 31 March 2020 (31 March 2019: same).

Revenue of the Group

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Precision 3D testing solutions		
— Sales of equipment	**50,481**	42,149
— Technical services	**4,411**	7,568
	54,892	49,717
Precision machining solutions		
— Sales of equipment	**–**	2,581
— Technical services	**–**	99
	–	2,680
	54,892	52,397

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

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Customer A	**9,760**	7,969
Customer B	**8,033**	Not applicable*
Customer C	**8,003**	Not applicable*
Customer D	**6,950**	Not applicable*
Customer E	**6,253**	Not applicable*
Customer F	**Not applicable***	12,333

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	
	2020	2019
	HK$'000	*HK$'000*
Cost of goods sold	**22,217**	23,519
Outsourced research and development expenses	**7,144**	3,221
Staff costs (including directors' emoluments)	**6,080**	5,222
Professional Fees	**4,489**	2,783
Travelling expenses	**2,838**	3,997
Entertainment expenses	**2,126**	1,582
Auditors' remuneration	**1,015**	1,057
Depreciation and amortisation	**689**	138
Other expenses	**2,020**	1,855
Total cost of sales, selling and marketing expenses and administrative expenses	**48,618**	43,374

5 INCOME TAX EXPENSE

	Year ended 31 March	
	2020	2019
	HK$'000	*HK$'000*
Current income tax		
— PRC corporate income tax	**3,172**	2,060
Deferred income tax	**(111)**	–
	3,061	2,060

No income tax relating to components of other comprehensive income was charged for the year ended 31 March 2020 (2019: same).

6 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year.

	Year ended 31 March	
	2020	2019
Profit for the year *(HK$'000)*	**3,138**	7,311
Weighted average number of ordinary shares in issue *(number of shares)*	**400,000,000**	394,795,000
Basic earnings per share *(HK$)*	**0.01**	0.02

Diluted earnings per share is the same as the basic earnings per share as there were no potentially dilutive ordinary shares issued during the year ended 31 March 2020 (2019: same).

7 DIVIDENDS

No dividend has been paid or declared by the Company for the year ended 31 March 2020 (2019: nil).

8 TRADE RECEIVABLES

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Trade receivables	**35,476**	39,062
Less: provision for impairment of trade receivables	**(324)**	–
Trade receivables — net	**35,152**	39,062
Notes receivable	**–**	689
	35,152	39,751

(a) As at 31 March 2020, ageing analysis of trade receivables based on invoice date is as follows:

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**26,327**	27,860
1 to 6 months	**5,537**	8,395
6 months to 1 year	**876**	2,807
1 to 2 years	**2,736**	–
	35,476	39,062

(b) The fair value of trade receivables approximated to its carrying amounts as at 31 March 2020 due to their short maturities (31 March 2019: same).

9 TRADE PAYABLES

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Trade payables	**5,199**	1,546

Aging analysis of the trade payables is as follows:

	As at 31 March	
	2020	2019
	HK$'000	*HK$'000*
Within 30 days	**5,099**	849
1 to 6 months	**–**	575
6 months to 1 year	**–**	21
Over 1 year	**100**	101
	5,199	1,546

10 SUBSEQUENT EVENT

Due to the outbreak of the Coronavirus Disease 2019 ("**COVID-19**") epidemic in January 2020, a series of precautionary and control measures have been and continued to be implemented. The economic activities in China in general are expected to be affected by the epidemic due to postponement of work resumption in China. The Group evaluated the impact of COVID-19 on its financial position and financial performance but given the dynamic nature of the disease, the Group is not yet able to quantify the influence. The Group will pay close attention to the development of COVID-19 and its impact and will continue to perform relevant assessment and take proactive measure as appropriate.

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.

For the year ended 31 March 2020, the Group continued to devote great efforts in expanding the market scopes, approaching new customers in various industries and regions, and maintaining the productive relationships with existing customers. Benefited from its sales efforts, the Group obtained a total of 19 new projects. 6 new projects together with 5 projects which were carried forward from prior years, were completed during the year. As at 31 March 2020, the Group had 16 on-going projects, which were all precision 3D scanning solution projects.

The Group had been persisting in developing new technology, including new auxiliary tools design and relevant software applications. As of 31 March 2020, the Group has 13 registered patents, including 6 invention patents and 7 utility model patents as well, and 9 invention patents plus 3 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 with the latest and forthcoming technology, the Group continued to strengthen its research and development of advanced solutions and technological applications during the year. The Group participated in the 2019 China International Machine Tool Show and the first Nanchang Flight Conference held in Beijing and Nanchang respectively during the year, and took this opportunity to communicate with existing and potential customers on product application and technology and achieved great success.

According to the development goals of the Smart Manufacturing Development Plan (2016–2020) jointly formulated by the Ministry of Industry and Information Technology and the Ministry of Finance, “By 2020, China’s smart manufacturing development foundation and supporting capabilities will be significantly enhanced, the key areas of traditional manufacturing industry will basically turn to digital manufacturing and the intelligent transformation of key industries with sound conditions and foundation will achieve significant progress.” Moreover, according to the forecast of the System Solution Market Research Report on Smart Manufacturing Industries of China released by the China Intelligent Manufacturing System Solution Suppliers Alliance in 2019, the overall market size of China’s intelligent manufacturing system solutions in 2020 will reach RMB238 billion, representing an increase of more than 20% over 2019. Looking forward for the new year, to seize market opportunities, the Group will continuously expand its business and increase the market share by actively developing new markets and approaching new customers on the basis of strengthening the existing ones, expanding the sales coverage areas, and getting better knowledge of customer needs through seminars and industry exhibitions. Meanwhile, aiming to maintain its edge in terms of technology, the Group will continue to strengthen its efforts in research and development to develop advanced new products and technologies, expand the scope of application of solutions, and reduce project costs. By virtue of the technological edges, the Group is expecting to continuously promote its integrated smart manufacturing solutions, understand the industrial evolution and further consolidate the market position and customer confidence. In addition, the Group will continue to maintain an appropriate talent pool by recruiting professional sales and marketing staffs, as well as administrative staffs, according to the needs for future business expansion.

The outbreak of COVID-19 in early 2020 severely affected the economic activities in China and even the whole world. For the year ended 31 March 2020, most of the projects performed by the Group were obtained before the outbreak and the Group has taken effective measures to ensure the implementation of the projects. As a result, the Group's operating performance for the year was not significantly affected by the epidemic. Taking into account the uncertainty of the duration of the epidemic and the implementation of the preventive measures against the spread of the epidemic, the Group's future operating performance may be affected by changes in the future economic conditions and the extent of the impact cannot be predicted as at the date of this announcement. The Group will continue to keep track of the epidemic development and react proactively to its possible impact on the performance of the Group.

FINANCIAL REVIEW

Revenue

For the year ended 31 March 2020, the Group recorded revenue of approximately HK$54.9 million, representing an increase of 4.8% comparing with that of approximately HK$52.4 million for the year ended 31 March 2019. Set out below is the revenue breakdown of the Group for the year:

	Year ended 31 March					
	2020			2019		
	Revenue	**% of Revenue**	**Gross Profit Margin**	Revenue	% of Revenue	Gross Profit Margin
	HK$'000	**%**	**%**	*HK$'000*	%	%
Precision 3D testing solutions						
Static 3D scanning	**42,579**	**77.6**	**58.4**	45,070	86.0	54.4
Dynamic 3D scanning	**12,313**	**22.4**	**51.0**	4,647	8.9	51.2
Overall precision 3D testing solutions	**54,892**	**100**	**56.7**	49,717	94.9	54.1
Precision machining solutions	**–**	**–**	**–**	2,680	5.1	15.9
All solutions	**54,892**	**100**	**56.7**	52,397	100	52.0

The increase in revenue was mainly attributable to an increase of HK$5.2 million in sales of precision 3D testing solutions, which was offset by a decrease of HK$2.7 million in sales of precision machining solutions.

Precision 3D testing solutions: Revenue from precision 3D testing solutions increased by 10.4% to HK$54.9 million for the year ended 31 March 2020 from HK$49.7 million for the year ended 31 March 2019. This increase was mainly attributable to (i) an increase in the average contract price of precision 3D testing solutions undertaken by the Group; and (ii) an increase in quantitative proportion of projects generating sales revenue of equipment, and the average revenue of these projects is normally higher than that of projects generating service income exclusively.

Precision machining solutions: For the year ended 31 March 2020, no revenue was derived from precision machining solution since the Group has been focusing on providing precision 3D testing solutions and did not carry out any precision machining solution projects. For the year ended 31 March 2019, the Group has carried out 3 projects and recorded a revenue of HK$2.7 million.

Cost of sales

Cost of sales decreased by 5.4% to HK$23.8 million for the year ended 31 March 2020 from HK$25.1 million for the year ended 31 March 2019. The decrease in cost of sales was mainly due to (i) the improvement of the Group's procurement management and bargaining power, which contributed to the reduction of procurement cost; and (ii) the new techniques and skills developed in the Group's research and development activities, which contributed to the reduction of ancillary cost.

Gross profit and gross profit margin

Gross profit increased by 14.2% to HK$31.1 million for the year ended 31 March 2020 from HK$27.3 million for the year ended 31 March 2019. Its gross profit margin increased to 56.7% for the year ended 31 March 2020 from 52.0% for the year ended 31 March 2019, which was primarily due to (i) above-mentioned increase of revenue of precision 3D testing solutions and decrease of cost of sales; and (ii) 3 precision machining solutions with relatively low gross profit margin were carried out for the year ended 31 March 2019, while none of precision machining solutions was carried out for the year ended 31 March 2020.

Selling and marketing expenses

Selling and marketing expenses increased by 22.1% to HK$5.5 million for the year ended 31 March 2020 from HK$4.5 million for the year ended 31 March 2019. This increase was mainly attributable to an increase of HK$0.2 million in staff cost mainly due to the expansion of selling and marketing team, and an increase of HK$0.8 million in marketing and promotion expenses as the Company has enhanced its marketing efforts.

Administrative expenses

Administrative expenses increased by 40.8% to HK$19.4 million for the year ended 31 March 2020 from HK$13.8 million for the year ended 31 March 2019. The increase was mainly due to the rise of HK$4.4 million in research and development expenditure, and an increase of HK$1.2 million in other administrative expenses arising from operation expansion.

Income tax expense

The Group had an income tax expense of HK$3.1 million (2019: HK$2.1 million) for the year ended 31 March 2020 mainly comprised the PRC income tax of subsidiary incorporated in the PRC of HK$2.4 million and the PRC income tax of subsidiaries incorporated in BVI and Hong Kong of HK$0.7 million, which was charged on a deemed profit basis.

The Group had recorded a profit before income tax of approximately HK$6.2 million for the year ended 31 March 2020, and effective income tax rate of 49.4%. The income tax rate increased because more projects were and will continue to be conducted by PRC subsidiary and the incurred expenses of BVI and Hong Kong subsidiaries were considered not deductible as they were taxed on deemed profit basis.

Profit for the year

Profit decreased by 57.1% to HK$3.1 million for the year ended 31 March 2020 from HK$7.3 million for the year ended 31 March 2019. Such decrease was mainly attributable to the increase in the research and development expenditure and other administrative expenses arising from the Group's business expansion as compared to the year ended 31 March 2019. The net profit margin decreased to 5.7% for the year ended 31 March 2020 from 14.0% for the year ended 31 March 2019.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The net cash generated from operating activities was approximately HK$8.8 million for the year ended 31 March 2020. 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 2020, the net current assets of the Group were approximately HK$57.6 million (31 March 2019: net current assets of HK$61.3 million). The decrease was mainly attributable to the decrease in trade receivables of HK$4.6 million, and the increase in trade payables of HK$3.7 million and other payables of HK$3.2 million arising from the business expansion, besides the increase in prepayments of HK$4.9 million and in cash and cash equivalents of HK$3.2 million.

As at 31 March 2020, the cash and cash equivalents of the Group was approximately HK$13.1 million (31 March 2019: approximately HK$10.0 million). As at 31 March 2020, the Group did not have any bank borrowings and other interest-bearing borrowings.

CONTINGENT LIABILITIES

As at 31 March 2020, the Group did not have any significant contingent liabilities.

CAPITAL COMMITMENTS

As at 31 March 2020, the Group did not have any capital commitments.

PLEDGE OF ASSETS

As at 31 March 2020, 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.

Because of the fluctuation in the exchange rate of the functional currencies of the Group entities, mainly Renminbi and US$, to the Group's presentation currency, HK$, the Group recorded a loss in other comprehensive income of HK$1,920,000 for the year ended 31 March 2020.

SIGNIFICANT INVESTMENTS HELD

As at 31 March 2020, the Group did not hold any significant investments.

OTHER FINANCIAL ASSETS

As at 31 March 2020, other financial assets held by the Group comprise:

— Trade receivables of HK$35.2 million;

— Cash and bank deposits of HK$13.1 million; and

— Other receivables of HK$2.7 million.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 March 2020, 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 2020, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEES AND EMOLUMENT POLICIES

The Group had 25 employees (including executive Directors) as at 31 March 2020 (2019: 29 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 2020, 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 2020, 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 employees of the Group in the PRC are members of a state-managed retirement benefits scheme operated by the PRC government. The Group is required to contribute a specified percentage of its payroll costs to the retirement benefits scheme to fund the benefits. The Group made contributions to the retirement benefit schemes of HK$419,000 for the year ended 31 March 2020 (2019: HK$401,000).

The Group also reviews the performance of the Group's staff periodically and consider the result of such review for staff's annual bonus, salary review and promotion appraisal. The Company has also adopted a share option scheme, details of which are set out on the section headed "Statutory and General Information — 13. Share Option Scheme" in Appendix IV to the prospectus of the Company dated 29 March 2018.

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 of the Company 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. As at 31 March 2020, all of the net proceeds have been fully utilised in the manner as described in the section headed "Use of Proceeds" of the annual report of the Company dated 27 June 2019 ("**2019 Annual Report**").

Set out below is the use of the net proceeds for the year ended 31 March 2020:

Use of proceeds	**Amount of incurred and planned use according to the 2019 Annual Report** *HK$ million*	**Amount used up to 31 March 2020** *HK$ million*	**Remaining balance** *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	11.9	–
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	6.8	–
Organising seminars, participating in local and international exhibitions and developing and implementing advertising plans	3.8	3.8	–
Working capital and general corporate purposes	2.5	2.5	–
	25.0	25.0	–

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 2020.

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 and the non-compliance with the Standard of Dealings by Mr. Wu Di as disclosed in the section headed "Compliance with the Required Standard of Dealings in securities transactions by Directors" below, 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 year ended 31 March 2020.

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. Since the date of Listing and up to the date of this announcement, Mr. Wu Di ("**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.

Having made specific enquiries of all the Directors, save as disclosed above, each of the Directors has confirmed that he or she has complied with the required Standard of Dealings for the year ended 31 March 2020.

DIVIDENDS

The Board did not recommend the payment of any dividend for the year ended 31 March 2020 (2019: nil).

EVENTS AFTER THE REPORTING PERIOD

Details about events after the reporting period are disclosed in Note 10 of this announcement.

AUDIT COMMITTEE

The annual results of the Group for the year ended 31 March 2020 have been reviewed by the Audit Committee in a meeting held on 8 June 2020.

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

Hong Kong, 8 June 2020

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.