

ZHICHENG

TECHNOLOGY GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8511

ANNUAL REPORT

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 and no assurance is given that there will be a liquid market in the securities traded on GEM.

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

This report, for which the director (collectively the “Directors” and individually a “Director”) 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 report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.

This report will be available on the Company’s website www.ztecgroupp.com and will remain on the “Latest Company Announcements” page on the GEM website at www.hkgem.com for at least 7 days from the date of its posting.

CONTENTS

Corporate Information	2
Chairman's Statement	4
Management Discussion and Analysis	5
Directors and Senior Management	11
Corporate Governance Report	14
Report of the Directors	23
Independent Auditor's Report	33
Consolidated Statement of Comprehensive Income	38
Consolidated Statement of Financial Position	39
Consolidated Statement of Changes In Equity	41
Consolidated Statement of Cash Flows	42
Notes to the Consolidated Financial Statements	43
Financial Summary	84

ZHICHENG TECHNOLOGY GROUP LTD.
ANNUAL REPORT 2018

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Wu Di (*Chairman and Chief Executive Officer*)

Ms. Liu Zhining (*Chief Operating Officer*)

Independent Non-Executive Directors

Mr. Tang Yong

Mr. Xing Shaonan

Mr. Tan Michael Zhen Shan

AUDIT COMMITTEE

Mr. Xing Shaonan (*Chairman*)

Mr. Tang Yong

Mr. Tan Michael Zhen Shan

REMUNERATION COMMITTEE

Mr. Tang Yong (*Chairman*)

Mr. Xing Shaonan

Ms. Liu Zhining

NOMINATION COMMITTEE

Mr. Wu Di (*Chairman*)

Mr. Tang Yong

Mr. Tan Michael Zhen Shan

AUTHORISED REPRESENTATIVES

Ms. Liu Zhining

Ms. Wong Sau Ping

COMPANY SECRETARY

Ms. Wong Sau Ping

COMPLIANCE OFFICER

Ms. Liu Zhining

LEGAL ADVISERS

As to Hong Kong law

Norton Rose Fulbright Hong Kong

38th Floor, Jardine House

1 Connaught Place

Central

Hong Kong

AUDITOR

PricewaterhouseCoopers

Certified Public Accountants

22/F, Prince's Building

Central

Hong Kong

COMPLIANCE ADVISER

RaffAello Capital Limited

Room 2002, 20/F

Tower Two, Lippo Centre

89 Queensway

Hong Kong

REGISTERED OFFICE

Office of Sertus Incorporations (Cayman) Limited

Sertus Chambers, Governors Square

Suite # 5-204, 23 Lime Tree Bay Avenue

P.O. Box 2547

Grand Cayman, KY1-1104

Cayman Islands

HEADQUARTER IN THE PRC

Room 1508-1510

Jin Ying Building

1 Wu Shan Jin Ying Road

Tianhe District

Guangzhou

PRC

CORPORATE INFORMATION

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
Times Square
1 Matheson Street
Causeway Bay
Hong Kong

PRINCIPAL SHARE REGISTRAR

Estera Trust (Cayman) Limited
P.O. Box 2547
Grand Cayman
KY1-1104
Cayman Islands

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKERS

The Hongkong and Shanghai Banking Corporation
1 Queen's Road Central
Central
Hong Kong

Ping An Bank
Guangzhou Wanda Plaza Branch
Shop No. 103
179 Yuncheng South 2nd Street
Baiyun District
Guangzhou
PRC

Industrial and Commercial Bank of China
Guangzhou West District Branch
370 Kaifa Avenue
Guangzhou Economic and Technological Development Zone
Guangzhou
PRC

COMPANY'S WEBSITE

www.ztecgroup.com

STOCK CODE

8511

LISTING DATE

20 April 2018

CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board of directors (the "Board") of Zhicheng Technology Group Ltd. (the "Company", together with its subsidiaries, the "Group"), it is my pleasure to present to you the annual report of the Group for the year ended 31 March 2018.

The Company is the second largest smart manufacturing solutions provider focusing on precision 3D testing solutions and precision machining solutions in China in 2016. The Company provides high level of precision solutions to industries such as aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries.

For the year ended 31 March 2018, the Group undertook a larger number of precision 3D testing solutions than the prior year, which increased its revenue by 11.3% to approximately HK\$48.4 million for the year ended 31 March 2018 from approximately HK\$43.5 million for the year ended 31 March 2017 ("2017"). The Group's gross profit margin increased to 64.3% for the year from 59.1% in 2017 primarily due to an increase in the contract prices for its solutions as the Company had spent more efforts in research and development to provide quality solutions coupled with a decrease in average cost of sales as the Company had enhanced procurement cost control and had a decrease in the cost of machinery. During the year, the gross profit of the Group also significantly increased by 21.0% to HK\$31.1 million. However, due to the listing expenses charged to the Group's consolidated statement of comprehensive income, the Group recorded a loss of HK\$11.2 million during the year.

The successful listing of the Company on GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 20 April 2018 (the "Listing") was a significant milestone since the establishment of the Group.

The Group is optimistic about the prospects of the smart manufacturing solutions industry. With the advancement of technology, domestic demand for precision 3D testing solutions and precision machining solutions has increased constantly, especially in the manufacture of industrial products. The 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. With the 10 years of experience in providing smart manufacturing solutions in China, the Group will develop more technologies for the industry and lead the industry to a new horizon.

The Group will also actively seek for potential business opportunities to create higher value for shareholders. On behalf of the Board and the management, I would like to express my sincere gratitude to all staff for their constant efforts and my heartfelt gratitude to the shareholders, customers and business partners for their ongoing dedicated support.

Mr. Wu Di

Chairman

Hong Kong, 20 June 2018

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 after-sales 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 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 three 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 year:

	Year ended 31 March					
	2018 Revenue HK\$'000	% of revenue %	Gross Profit Margin %	2017 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 Company 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 carried out 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 equivalents 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.

MANAGEMENT DISCUSSION AND ANALYSIS

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 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 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"), 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 prior to the Listing.

MANAGEMENT DISCUSSION AND ANALYSIS

PRINCIPAL RISKS AND UNCERTAINTIES

The principal business of the Group is to provide smart manufacturing solutions to its customers on a project basis. As the Company do not have any long term contractual arrangements with its customers, there is no assurance that the Company will continue to secure new contracts or maintain or increase its current level of business activities with existing or future customers in the future. Therefore, the Group is increasing its sales and marketing efforts, expanding its sales force, sales points and sales coverage, aiming to continuously get new tenders and secure contracts from more customers.

The Group's major customers are high-end equipment manufacturers in the aviation, aerospace, shipbuilding, ground transportation vehicles and electronics industries. The market for smart manufacturing solutions is characterised by rapidly changing technologies and evolving developments. The success of its business is dependent upon its ability to continuously develop, in a timely manner, new technological applications through research and development and introduce new solution designs to cater its customers' requirements. Therefore, the Group intends to increase its research and development efforts, establish its own research and development centres, recruit more technical staff, so as to hold its edges in terms of technology.

Other risks are as following:

Credit risk

Credit risk mainly arises from cash and cash equivalents, restricted cash, trade receivables and other receivables. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets. The Group has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Interest rate risk

The Group's interest-bearing assets are mainly cash and cash equivalents. The Board considers the Group has no material interest rate risk with respect to cash and cash equivalents.

Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operation and borrowings from financial institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

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 annual report, there were no changes of the business plans from those disclosed in the Prospectus, and none of the net proceeds had been utilised. The unutilised portion of 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 accounts 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 accounts 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.

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Wu Di (吳鎬), aged 40, is the Chairman, an executive Director and chief executive officer of the Company. He was appointed as a Director on 23 June 2017 and as the Chairman and an executive Director with effect from 26 September 2017. Mr. Wu is primarily responsible for overall management, corporate policy making and strategic planning of the Group's business operations.

Mr. Wu is the founder of the Group and established the Group in 2008. Mr. Wu has more than 14 years of professional experience in the area of smart manufacturing, machining and industrial design. Prior to establishing the Group, from June 2003 to June 2006, he worked as the general manager of Prosperity Corporation Limited, a distributor for various electronic accessories such as integrated circuits, capacitors and sensors, responsible for strategic development and business planning in the North America and China market. He was also engaged in the supplier management and the customer relationship management for the company. From June 2006 to April 2008, he worked as a project manager in Ignite USA LLC, a company engaged in the design and technical innovation of reusable, environmentally friendly thermal mugs and hydration bottles, responsible for inspecting new product development process, supplier management, cost and credit control and supply chain management.

Mr. Wu graduated from the Beijing University of Chemical Technology with a bachelor's degree in management engineering in July 2000 and obtained a master degree in business administration from Loyola University, Chicago in November 2005. Mr. Wu is the son-in-law of Prof. Yang Zhuoru, a member of its senior management.

Ms. Liu Zhining (劉智寧), aged 47, is an executive Director and chief operating officer of the Group. Ms. Liu joined the Group in December 2008 and was appointed as an executive Director on 26 September 2017. Ms. Liu is primarily responsible for the overall management and supervision of operations of the Group.

Ms. Liu has more than 15 years of sales and management experience. Prior to joining the Group, Ms. Liu worked as an assistant general manager at Guangzhou Xinli Technology Development Company Limited from November 1998 to October 2000. From March 2003 to February 2004, she worked as the business manager at Guangzhou Dongya Company Limited and was responsible for the administration and business management. From March 2004 to April 2007, she was the assistant to the general manager at Guangdong Wanshunda Machinery Company Limited, responsible for the overall management of business operations and human resources.

Ms. Liu obtained a bachelor's degree in international commerce from Guangdong University of Foreign Studies (formerly known as Guangzhou Institute of Foreign Trade) in July 1993.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tang Yong (湯勇), aged 55, was appointed as an independent non-executive Director on 26 March 2018.

Mr. Tang has more than 10 years of experience in the area of machinery manufacturing. He joined the South China University of Technology and acted as lecturer from September 1994 to September 1998 at the School of Machinery and Automotive Engineering of South China University of Technology and as associate professor from October 1998 to September 2003. Since January 2013, he serves as the Deputy Dean of the School of Machinery and Automotive Engineering of South China University of Technology. He was appointed as the supervisor of the Guangdong Provincial Energy-saving and New Energy Green Manufacturing Engineering Technology Research Centre in September 2015. Mr. Tang served as an independent director of Guangdong Jingyi Metal Company Limited (廣東精藝金屬股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002295) from January 2011 to January 2017.

Mr. Tang obtained a doctoral degree in machinery manufacturing from the South China University of Technology in July 1994.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xing Shaonan (邢少南), aged 62, was appointed as an independent non-executive Director on 26 March 2018. In January 2018, he was appointed as a committee member of the Guangdong Provincial Committee of the Chinese People's Political Consultative Conference.

Mr. Xing has more than 15 years of experience in the finance industry. Since 2001, Mr. Xing has been working at Offshore Capital Investment (Holdings) Limited (海外資本投資(控股)有限公司) as chief executive officer and executive director. From June 1999 to June 2002, Mr. Xing served as the secretary to the office of the chief executive officer of Asia Television Limited, one of the two wireless commercial television stations in Hong Kong at the relevant time.

Mr. Xing obtained a master degree of business administration from Murdoch University in Perth, Western Australia in March 1998.

Mr. Tan Michael Zhen Shan (譚鎮山), aged 41, was appointed as an independent non-executive Director on 26 March 2018.

Mr. Tan has more than 10 years of experience in accounting and taxation. Since May 2004, Mr. Tan is the financial controller of Full Apex (Holdings) Limited, a company listed on Singapore Exchange Securities Trading Limited (stock code: BTY) and is responsible for overseeing financial and accounting matters. He worked as an accountant at the Guangzhou office of an accounting firm in Hong Kong and was responsible for auditing and financial due diligence review works from August 1998 to June 2001. From August 2001 to May 2003, Mr. Tan served as an accountant at an accounting firm in Australia and was responsible for taxation, financial accounting and auditing works.

Mr. Tan obtained a bachelor's degree in international accounting from Sun Yat-Sen University in 1998 and a master degree of commerce (accounting with commercial law) from University of Sydney in December 2001. He is a member of the Hong Kong Institute of Certified Public Accounts and a member of the Australian Society of Certified Practising Accountant.

SENIOR MANAGEMENT

Prof. Yang Zhuoru (楊卓如), aged 71, is the technical director of the Group. Prof. Yang joined the Group in July 2013. He is primarily responsible for leading the overall management of research and development activities of the Group.

Prof. Yang has approximately 40 years of experience in technology research and development in the area of engineering. Prior to joining the Group, Prof. Yang started his teaching and research career at the South China University of Technology in October 1976 and was appointed as professor in September 1997 until he retired in October 2012. Since 1976, he held various teaching and research positions and had a focus in chemical engineering. He had participated in various research and invention projects and had received awards granted by the State Scientific and Technological Commission of the PRC, Ministry of Chemical Industry of the PRC and the People's Government of Guangdong Province in recognition of his research achievements. He also obtained an award granted by the PRC State Council for his contribution to the higher education of PRC in March 1996. He was named as the "Guangdong Province Excellent Young and Middle-aged Expert" by the People's Government of Guangdong Province in June 1996.

Prof. Yang obtained a bachelor's degree in process and equipment of machinery manufacturing from the Huazhong University of Science and Technology (formerly known as Huazhong Engineering Institute) in September 1976. Prof. Yang is the father-in-law of Mr. Wu Di, an executive Director of the Group.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Xu Wenming (許文明), aged 34, is the sales and marketing director of the Group. Mr. Xu joined the Group in December 2010 and had been the head of sales and marketing from December 2010 to December 2014 and was appointed as the deputy general manager of Quick Tech in January 2015. He is primarily responsible for the overall management of sales and marketing activities and technical support of the Group. Under his leadership, he extended the market reach of the Group and established five new sales and marketing presence in China since 2010.

Mr. Xu has approximately 10 years of sales and marketing experience. Prior to joining the Group, from April 2008 to March 2010, he started his own trading business and was engaged in the sales of lighting solutions.

Mr. Xu obtained a bachelor's degree majoring in automation from Jiamusi University in 2006.

Mr. Zou Cuimin (鄒璀璨), aged 39, is the financial director of the Group. Mr. Zou joined the Group in July 2016. He is primarily responsible for the overall management of financial and accounting affairs of the Group. Mr. Zou has approximately 13 years of experience in accounting and related financial management. Prior to joining the Group, from September 2008 to September 2011, he worked as the regional financial manager at Guangzhou Barloworld Logistics Company Limited, a logistics company. From October 2011 to September 2015, he worked as the financial controller of Zhujiang College of South China Agricultural University. From September 2015 to May 2016, he was the financial controller of Guizhou Honghua Convenience Shopping Chain Company Limited, a company engaging in the operation of convenience stores in the PRC, and was responsible for overall financial management of the company.

Mr. Zou obtained a bachelor's degree in management in June 2001 and a master's degree in management in 2004 from the Sun Yat-sen University. Mr. Zou is a certified public accountant in the PRC and is a fellow member (non-practising) of the Guangdong Provincial Institute of Certified Public Accountants.

COMPLIANCE OFFICER

Ms. Liu Zhining has been appointed as the compliance officer on 26 September 2017. For her biographical information, please refer to the paragraph headed "Executive Directors" above in this section.

COMPANY SECRETARY

Ms. Wong Sau Ping (黃秀萍), was appointed as the company secretary of the Group on 26 September 2017. Ms. Wong works as a senior manager of the listing services department of TMF Hong Kong Limited (a global enterprise service provider). Ms. Wong has over 15 years of professional experience in the company secretarial field. She obtained a bachelor's degree in Business Administration and a master's degree of arts in Professional Accounting and Information Systems. Ms. Wong is an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

The Company is committed to promoting high standards of corporate governance through its continuous effort in improving its corporate governance practices and process. The Board believes that sound and reasonable corporate governance practices are essential for sustainable growth of the Group and for safeguarding the interests and the Group's assets.

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 since the date of Listing.

APPOINTMENT, RE-ELECTION AND RETIREMENT OF THE DIRECTORS

In accordance with article 108 of the articles of association (the "Articles") of the Company, at each annual general meeting (the "AGM"), one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors.

In accordance with article 112 of the Articles, any Director so appointed by the Board to fill a casual vacancy of the Board shall hold office only until the first general meeting of the Company after his appointment and be subject to re-election at such meeting. Any Director so appointed by the Board shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at the AGM.

Each of the Directors has been appointed for an initial term of three years on 26 March 2018 until terminated by either party giving not less than three months' written notice to the other.

Pursuant to the Articles, Mr. Wu Di and Mr. Tan Michael Zhen Shan will retire from office as Directors at the forthcoming AGM, and being eligible, will offer themselves for re-election.

No Director proposed for re-election at the forthcoming AGM has a service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

CORPORATE GOVERNANCE REPORT

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 annual report.

DIRECTORS

During the year ended 31 March 2018 and up to the date of this report, the Directors are as follows:

Executive Directors

Mr. Wu Di (*Chairman and chief executive officer*) (*appointed on 23 June 2017*)

Ms. Liu Zhining (*chief operating officer*) (*appointed on 26 September 2017*)

Independent non-executive Directors

Mr. Tang Yong (*appointed on 26 March 2018*)

Mr. Xing Shaonan (*appointed on 26 March 2018*)

Mr. Tan Michael Zhen Shan (*appointed on 26 March 2018*)

The brief biographic details of the Directors are set out in the section headed “Directors and Senior Management” on pages 11 to 13 of this annual report.

The Company had complied with the requirements under Rule 5.05(1) and (2), and 5.05A of the GEM Listing Rules from the date of Listing and up to the date of this annual report. The Company considers all independent non-executive Directors meet the guidelines for assessment of their independence as set out in Rule 5.09 of the GEM Listing Rules.

FUNCTIONS OF THE BOARD

The Board supervises the management of the business and affairs of the Company. The Board’s primary duty is to ensure the viability of the Company and to ensure that it is managed in the best interests of the shareholders as a whole while taking into account the interests of other stakeholders. The management is delegated with the authority and responsibility by the Board for the management and administration of the Group. The Group has adopted internal guidelines in setting forth matters that require the Board’s approval. Apart from its statutory responsibilities, the Board approves the Group’s strategic plan, key operational initiatives, major investments and funding decisions. It also reviews the Group’s financial performance, identifies principal risks of the Group’s business and ensures implementation of appropriate systems to manage these risks. Daily business operations and administrative functions of the Group are delegated to the management.

The Board is also delegated with the corporate governance functions under code provision D.3.1 of the Code. The Board has reviewed and discussed the corporate governance policy of the Group and is satisfied with the effectiveness of the corporate governance policy.

CORPORATE GOVERNANCE REPORT

BOARD MEETINGS AND PROCEDURES

Board members will be provided with complete, adequate and timely information to allow them to fulfill their duties properly. In compliance with code provision A.1.3 of the Code, at least 14 days' notice will be given for a regular Board meeting to give all Directors an opportunity to attend. Notice, agenda and board papers of regular Board meetings are sent to all Directors within reasonable time and at least 3 days prior to the meetings. Directors are free to contribute and share their views at meetings and major decisions will only be taken after deliberation at Board meetings. Directors who are considered having conflict of interests or material interests in the proposed transactions or issues to be discussed will not be counted in the quorum of meeting and will abstain from voting on the relevant resolutions. Full minutes are prepared after the meetings and the draft minutes are sent to all Directors for their comments before the final version of which are endorsed in the subsequent Board meeting.

Details of the attendance of the Board meetings, audit committee (the "Audit Committee") meetings, remuneration committee (the "Remuneration Committee") meetings, nomination committee (the "Nomination Committee") meetings and general meetings of the Company held during the period from the date of Listing on 20 April 2018 to the date of this annual report are summarised as follows:

	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	General meeting
Executive Directors					
Mr. Wu Di	1/1	N/A	N/A	1/1	N/A
Ms. Liu Zhining	1/1	N/A	1/1	N/A	N/A
Independent non-executive Directors					
Mr. Tang Yong	1/1	1/1	1/1	1/1	N/A
Mr. Xing Shaonan	1/1	1/1	1/1	N/A	N/A
Mr. Tan Michael Zhen Shan	1/1	1/1	N/A	1/1	N/A

BOARD COMMITTEES

The Board has established specific committees, namely the Audit Committee, the Remuneration Committee and the Nomination Committee to oversee particular aspects of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

The written terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are posted on the respective websites of the Stock Exchange and the Company.

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).

CORPORATE GOVERNANCE REPORT

The Audit Committee held one meeting for the period from the date of Listing on 20 April 2018 to the date of this annual report. Details of the attendance of the Audit Committee meetings are set out above.

At the Audit Committee meetings convened on 20 June 2018, the Audit Committee approved the auditor's remuneration for the year ended 31 March 2018, recommended to the Board to re-appoint PricewaterhouseCoopers as the auditor of the Group for the year ending 31 March 2019, subject to approval by the shareholders of the Company at the forthcoming AGM and reviewed the audited consolidated financial statements and annual results announcement of the Group for the year ended 31 March 2018. The Audit Committee also reviewed risk management and internal control systems of the Group and made recommendations to the Board accordingly.

REMUNERATION COMMITTEE

The Company established a Remuneration Committee on 26 March 2018 in compliance with the GEM Listing Rules. The Company has adopted written terms of reference in compliance with code provision B.1.2 of the Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Remuneration Committee are mainly to make recommendation to its Board on the overall remuneration policy and structure relating to all Directors and senior management of the Group; review remuneration proposals of the management with reference to the Board's corporate goals and objectives; and ensure none of its Directors or any of their associates determine their own remuneration.

The Remuneration Committee consists of three members who are Mr. Tang Yong (an independent non-executive Director and Chairman), Mr. Xing Shaonan (an independent non-executive Director) and Ms. Liu Zhining (an executive Director). The majority of the members of the Remuneration Committee are independent non-executive Directors. The remuneration of the Directors was determined with reference to, among other things, their duties, responsibilities and performance. The Remuneration Committee makes recommendations to the Board on remuneration packages of individual Directors and the members of senior management.

The Remuneration Committee held one meeting for the period from the date of Listing on 20 April 2018 to the date of this annual report. Details of the attendance of the Remuneration Committee meeting are set out above.

At the meeting, the Remuneration Committee reviewed the remuneration packages and performance of the Directors and the senior management and remuneration policy of the Directors and made recommendations to the Board accordingly.

NOMINATION COMMITTEE

The Company established a Nomination Committee on 26 March 2018. The Company has adopted written terms of reference in compliance with code provision A.5.2 of the Code as set out in Appendix 15 to the GEM Listing Rules. The primary duties of the Nomination Committee is to review the structure, size, composition and diversity of the Board and make recommendations to the Board on the selection of individuals nominated for directorships, appointment or reappointment of Directors and succession planning for Directors.

The Nomination Committee consists of three members who are Mr. Wu Di (an executive Director and Chairman), Mr. Tang Yong and Mr. Tan Michael Zhen Shan (independent non-executive Directors). The majority of the members of the Nomination Committee are independent non-executive Directors.

The Nomination Committee held one meeting for the period from the date of Listing on 20 April 2018 to the date of this annual report. Details of the attendance of the Nomination Committee meeting are set out above.

At the meeting, the Nomination Committee reviewed the structure, size and composition of the Board, assessed the independence of the independent non-executive Directors, formulated the board diversity policy and made recommendations to the Board accordingly.

CORPORATE GOVERNANCE REPORT

COMPLIANCE ADVISER

The Company has appointed RaffAello Capital Limited as the Company's compliance adviser pursuant to Rule 6A.19 of the GEM Listing Rules. Pursuant to Rule 6A.23 of the GEM Listing Rules, the compliance adviser will advise the Company in the following circumstances:

- (a) before the publication of any regulatory announcement, circular or financial report;
- (b) where a transaction, which might be a notifiable or connected transaction, is contemplated including share issues and share repurchases;
- (c) where the Company proposes to use the proceeds of the Share Offer in a manner different from that detailed in the Prospectus or where the business activities, developments or results deviate from any forecast, estimate, or other information in the Prospectus; and
- (d) where the Stock Exchange makes any inquiry of the Company regarding unusual movements in the price or trading volume of the Shares.

The term of the appointment commenced on 20 April 2018 and end on the date on which the Company distributes its annual report in respect of the financial results for the second full financial year commencing after 20 April 2018 and such appointment may be subject to extension by mutual agreement.

DIVERSITY OF THE BOARD

The Group has adopted policy in relation to the diversity of the members of the Board and the summary of the policy is as follows:

- (1) selection of Board members will be based on a range of diversity perspectives, which would include but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; and
- (2) the Nomination Committee will monitor the implementation of the Board diversity policy from time to time to ensure the effectiveness of the Board diversity policy.

INDEPENDENT NON-EXECUTIVE DIRECTORS

All independent non-executive Directors have been appointed for a fixed term. Pursuant to the letters of appointment between the Company and the independent non-executive Directors of the Group, the independent non-executive Directors have been appointed for a term of three years on 26 March 2018 which may be terminated by either party by giving three months' written notice. Every Director is subject to re-election on retirement by rotation in accordance with the Articles.

DIRECTORS' INDUCTION AND CONTINUING PROFESSIONAL DEVELOPMENT

Each newly appointed Director will receive a formal, comprehensive and tailored induction on the first occasion of his appointment to ensure that he has a proper understanding of the Company's operations and business and is fully aware of the Director's responsibilities under the statutes and common law, the GEM Listing Rules, legal and other regulatory requirements and the Company's business and governance policies. Pursuant to the code provision A.6.5 of the Code, the Directors had attended training sessions on obligations, duties and responsibilities of directors conducted by the Company's Hong Kong legal advisers during the year ended 31 March 2018.

CORPORATE GOVERNANCE REPORT

The Company will from time to time provide briefings to all Directors to refresh their duties and responsibilities. All Directors are also encouraged to attend relevant training courses at the Company's expense and they have been requested to provide the Company with their training records. According to the training records maintained by the Company, the trainings received by each of the Directors (including Directors' induction training) for the year ended 31 March 2018 and up to the date of this annual report are summarised as follows:

Name of Directors	Type of trainings
Mr. Wu Di	A, B
Ms. Liu Zhining	A, B
Mr. Tang Yong	A, B
Mr. Xing Shaonan	A, B
Mr. Tan Michael Zhen Shan	A, B

A: attending seminars/conferences/forums/training sessions

B: reading newspapers, journals and updates relating to the economy, general business, corporate governance and Directors' duties and responsibilities

COMPANY SECRETARY

Ms. Wong Sau Ping, an associate member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in United Kingdom, was appointed as the company secretary of the Company since 26 September 2017. Ms. Wong works as a senior manager of the listing services department of TMF Hong Kong Limited (a global corporate services provider). Ms. Liu Zhining, an executive Director and compliance officer of the Company, is the primary contact person who Ms. Wong contacts.

All Directors have access to the advice and services of the company secretary. The company secretary reports to the Chairman on Board governance matters, and is responsible for ensuring that Board procedures are followed, and for facilitating communications among Directors as well as with shareholders of the Company and management. During the year ended 31 March 2018, the company secretary had taken no less than 15 hours of relevant professional training.

COMPLIANCE OFFICER

Ms. Liu Zhining has been appointed as the compliance officer of the Company on 26 September 2017. For her biographical details, please refer to the section headed "Directors and Senior Management" in this annual report.

SENIOR MANAGEMENT'S REMUNERATION

The senior management's remuneration payment of the Group during the year ended 31 March 2018 falls within the following bands:

	Number of individuals
HK\$1,000,000 or below	3

CORPORATE GOVERNANCE REPORT

DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation of the consolidated financial statements of the Group for each financial period to give a true and fair view of the state of affairs of the Group and of the results and cash flows for that period in accordance with accounting principles generally accepted in Hong Kong. The statement by the auditor of the Company about its responsibilities for the financial statements is set out in the independent auditor's report contained in the annual report. The Directors adopt the going concern approach in preparing the consolidated financial statements and are not aware of any material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

EXTERNAL AUDITOR'S REMUNERATION

The Company engaged PricewaterhouseCoopers as its auditor for the year ended 31 March 2018. There was no disagreement between the Board and the Audit Committee on the selection, appointment, resignation or dismissal of the auditor. During the year ended 31 March 2018, the fees payable to PricewaterhouseCoopers in respect of its audit services provided to the Group were HK\$1.1 million. The total fees paid or payable to PricewaterhouseCoopers for the reporting accountants service in relation to the Listing of the Company were HK\$4.1 million.

RISK MANAGEMENT AND INTERNAL CONTROL

The Directors confirmed that during the ordinary course of the Company's business, the Company are exposed to various types of risks, including (i) control risks relating to the Company's overall monitoring system; (ii) regulatory risks in relation to the Company's business; (iii) operational risk; and (iv) credit risks relating to assets.

The Company has designed and implemented risk management policies to address these potential risks identified in relation to its business. The risk management system of the Company sets out procedures to identify, analyse, assess, mitigate and monitor any potential risks. Its chief executive officer is responsible for overseeing the overall risk management system of the Company and each department carries out their own risk management identification exercise and proposes risk response plan according to the Company's overall risk assessment program. Each department is required to set up appropriate risk management strategies based on the risk identified and their proposed risk response plan and is responsible for the implementation and supervision. For material deficiency or risks identified, the relevant departments should report the situation to the Board for further investigation, internal control, review, enhancement and supervision.

For the year ended 31 March 2018, the Group had not experienced any non-compliance incidents that had or would reasonably be expected to have a material financial or operational impact on its business or would negatively affect the Directors' or senior management's ability or tendency to operate in a compliant matter.

The Directors are responsible for establishing the Company's internal control system and reviewing its effectiveness on an annual basis. In accordance with the applicable laws and regulations, the Company has established procedures for developing and maintaining its internal control system, covering areas such as corporate governance, operations, management, legal, finance and audit. The Company believes that its internal control system is sufficient in terms of comprehensiveness, practicability and effectiveness for its current business operation. To strengthen its internal control and ensure future compliance with the applicable laws and regulations (including the GEM Listing Rules), the Company has adopted the following additional internal control measures:

- (1) the Directors will continuously monitor, evaluate and review the internal control system of the Company to ensure compliance with the applicable legal and regulatory requirements and will adjust, refine and enhance its internal control system as appropriate;
- (2) the Company has appointed RaffAello Capital Limited as the compliance adviser of the Company to advise the Group on matters relating to compliance with the GEM Listing Rules;

CORPORATE GOVERNANCE REPORT

- (3) the Company will provide training and updates on the legal and regulatory requirements applicable to its business operations to Directors, members of senior management and relevant employees of the Company from time to time;
- (4) if necessary, the Company may consider appointing external PRC legal advisers to advise the Company on matters relating to compliance with the applicable PRC laws and regulations; and
- (5) if necessary, the Company may consider appointing external Hong Kong legal advisers to advise the Company on matters relating to compliance with the GEM Listing Rules and the applicable Hong Kong laws and regulations.

The Company has also adopted relevant procedures and internal controls for the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

In light of the foregoing and based on the findings and recommendations of the work performed by the internal control consultant, the Directors reviewed the Group's risk management and internal control systems during the year ended 31 March 2018 and are of the view that the Group's risk management and internal control systems are adequate and effective.

THE SHAREHOLDERS' RIGHTS TO CONVENE AN EXTRAORDINARY GENERAL MEETING

Pursuant to article 64 of the Articles, extraordinary general meetings shall be convened on the requisition of one or more shareholders holding, at the date of deposit of the requisition, not less than one-tenth of the paid up capital of the Company having the right of voting at general meetings. Such requisition shall be made in writing to the Board or the company secretary of the Company for the purpose of requiring an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition. Such meeting shall be held within 2 months after the deposit of such requisition. If within 21 days of such deposit, the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

In order to keep shareholders well informed of the business activities and direction of the Group, information about the Group has been provided to the shareholders through financial reports and announcements. The Company has established its own corporate website (www.ztecgroup.com) as a channel to facilitate effective communication with its shareholders and the public. The Company will continue to enhance communications and relationships with its shareholders and investors. A shareholders' communication policy was adopted on 20 April 2018 to comply with code provision E.1.4 of the Code.

Shareholders, investors and interested parties can make enquiries directly to the Company through the following e-mail: info@ztecgroup.com.

CORPORATE GOVERNANCE REPORT

PROCEDURES FOR DIRECTING SHAREHOLDERS' ENQUIRIES TO THE BOARD

Shareholders may at any time send their enquiries and concerns to the Board in writing. Contact details are as follows:

Zhicheng Technology Group Ltd.

Address: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong

E-mail: info@ztecgroup.com

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant committees of the Board, where appropriate, to answer the shareholders' questions.

PROCEDURES FOR PUTTING FORWARD PROPOSALS AT GENERAL MEETINGS BY SHAREHOLDERS

Pursuant to article 113 of the Articles, no person (other than a retiring Director) shall, unless recommended by the Board for election, be eligible for election to the office of Director at any general meeting unless a notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his willingness to be elected shall have been lodged at the head office or at the office of the branch share registrar of the Company in Hong Kong no earlier than the day after the despatch of the notice of the general meeting appointed for such election and end no later than 7 days prior to the date of such general meeting and the minimum length of the period during which such notices to the Company may be given will be at least 7 days. The procedures for shareholders to propose a person for election as a Director is posted on the website of the Company.

SIGNIFICANT CHANGES IN CONSTITUTIONAL DOCUMENTS

For the purpose of the Listing, the memorandum of association and the Articles were amended and conditionally adopted on 26 March 2018 with effect from 20 April 2018. Save as disclosed above, there had been no significant changes in the constitutional documents of the Company during the year ended 31 March 2018.

REPORT OF THE DIRECTORS

The Company presents herewith this report of the Directors together with the audited consolidated financial statements of the Group for the year ended 31 March 2018.

GROUP REORGANISATION

The Company was incorporated as an exempted company under the laws of the Cayman Islands with limited liability on 23 June 2017. Through a group reorganisation as disclosed in the section headed “History, Reorganisation and Corporate Structure” in the Prospectus, the Company became the holding company of the subsidiaries. The Shares of the Company were listed on GEM of The Stock Exchange on 20 April 2018 (the “Listing Date”) through placing and public offer of a total of 100,000,000 shares at the price of HK\$0.65 per share (the “Share Offer”).

SHARE STRUCTURE

The Company was incorporated in the Cayman Islands as an exempted company on 23 June 2017 with limited liability as a holding company of the Group. Prior to the Listing, the authorised share capital of the Company was increased to US\$500,000 divided into 5,000,000,000 ordinary shares of par value of US\$0.0001 each. As at the date of this report, the Company has 400,000,000 Shares in issue.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The Group is a smart manufacturing solution provider focusing on precision 3D testing solutions and precision machining solutions in China.

BUSINESS REVIEW AND FUTURE BUSINESS DEVELOPMENT

The business review and future business development of the Group for the year ended 31 March 2018 is set out in the sections headed “Chairman’s Statement” and “Management Discussion and Analysis” of this annual report.

Risks and uncertainties

The principal risks and uncertainties facing the Group have been addressed in the section headed “Management Discussion and Analysis” on pages 5 to 10 of this annual report. In addition, various financial risks have been disclosed in note 3 to the consolidated financial statements.

An analysis using financial key performance indicators

An analysis of the Group’s performance during the year ended 31 March 2018 using financial performance indicators is provided in the section headed “Financial Summary” on page 84 of this annual report.

Environmental protection

The Group recognises its responsibility to protect the environment from its business activities. The Group has endeavoured to comply with laws and regulations regarding environmental protection and encourages environmental protection and promotes awareness towards environmental protections among its staff and employees.

REPORT OF THE DIRECTORS

Compliance with laws and regulations

The Group recognises the importance of compliance with regulatory requirements and risks of non-compliance with such requirements. The Group has on-going review the newly enacted laws and regulations affecting the operations of the Group. The Group is not aware of any material non-compliance with the laws and regulations that have significant impact on the business of the Group during the year ended 31 March 2018. All of the non-compliance incidents as disclosed in the Prospectus that are capable of being rectified had been rectified.

KEY RELATIONSHIP WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Company maintained good relationships with its employees and the Company had not experienced any significant disputes with its employees nor had there been any material and adverse disruptions to its business operations as a result of strikes, claims, litigation or other labour disputes.

During the year ended 31 March 2018, there was no dispute on salary payments and all accrued remunerations were settled on or before their respective due dates, as stipulated under the individual employee's employment contract. The Group also ensures that all the employees are reasonably remunerated by regular review of the policies on salary increment, promotion, bonus, allowances and all other related benefits.

The Company maintained good relationships with its customers. The Company believe that delivering quality solutions to its end customers is important to its reputation and to its customer relationships. The Company have implemented stringent quality control measures in every major stage of the project in order to provide high quality smart manufacturing solutions.

The Group also maintained good relationships with its suppliers. During the year ended 31 March 2018, no complaint was received from the suppliers, there were no disputed debts or unsettled debts and all the debts were settled on or before due dates or a later date as mutually agreed.

During the year ended 31 March 2018, the Company did not have any material return to its suppliers or any material return from its customers.

In view of the above and as at the date of this annual report, there was no circumstance or any event which would have a significant impact on the Group's business.

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 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 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.

REPORT OF THE DIRECTORS

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 pages 29 to 31 of this annual report and 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.

RESULTS AND APPROPRIATIONS

The financial results of the Group for the year ended 31 March 2018 and the financial positions of the Company and the Group as at 31 March 2018 are set forth in the audited consolidated financial statements on page 38 to 83 of this annual report.

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

FINANCIAL SUMMARY

A summary of the published results and assets and liabilities of the Group for the last three financial years is set out on page 84 of this annual report. This summary does not form part of the audited consolidated financial statements in this annual report.

RESERVES

Movements in reserves of the Group during the year ended 31 March 2018 are set out in the consolidated statements of changes in equity on page 41 of this annual report.

DISTRIBUTABLE RESERVES

As at 31 March 2018, the Company did not have any reserves available for distribution to shareholders of the Company. Details of movements in reserve during the year are set out in note 27 to the consolidated financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment during the year ended 31 March 2018 are set out in note 12 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of movements in share capital of the Company during the year ended 31 March 2018 are set out in the paragraph headed "Share Structure" above and note 19 to the consolidated financial statements in this annual report.

REPORT OF THE DIRECTORS

DIRECTORS

The Directors during the year ended 31 March 2018 and up to the date of this annual report were:

Executive Directors

Mr. Wu Di (*Chairman and chief executive officer*) (*appointed on 23 June 2017*)

Ms. Liu Zhining (*Chief operating officer*) (*appointed on 26 September 2017*)

Independent non-executive Directors

Mr. Tang Yong (*appointed on 26 March 2018*)

Mr. Xing Shaonan (*appointed on 26 March 2018*)

Mr. Tan Michael Zhen Shan (*appointed on 26 March 2018*)

In accordance with the Articles, at each annual general meeting, one third of the Directors for the time being shall retire from office by rotation. However, if the number of Directors is not a multiple of three, then the number nearest to but not less than one third shall be the number of retiring Directors. The Directors to retire in each year shall be those who have been in office longest since their last re-election or appointment but, as between persons who became or were last re-elected Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with its Company for a term of three years commencing from the Listing Date until terminated by not less than three months' notice in writing served by either party on the other, but subject to the termination provisions set out in the service contract.

Pursuant to the letters of appointment between the Company and the independent non-executive Directors, each of the independent non-executive Directors has been appointed for an initial term of three years on 26 March 2018 until terminated by either party giving not less than three months' written notice to the other expiring at the end of the initial term of their appointment or any time thereafter. The appointments are subject to the provisions of the Articles with regard to vacation of office of Directors, removal and retirement by rotation of Directors.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable within one year without payment of compensation, other than statutory compensation.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

The biographical details of the Directors and senior management are disclosed in the section headed "Directors and Senior Management" on pages 11 to 13 of this annual report.

DIRECTORS' REMUNERATIONS

Details of the remunerations of the Directors during the year ended 31 March 2018 are set out in note 8 to the consolidated financial statements in this annual report.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 5.09 of the GEM Listing Rules. The Company considers all of the independent non-executive Directors are independent.

REPORT OF THE DIRECTORS

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed in this annual report, at no time during the year ended 31 March 2018 was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

There had been no transaction, arrangement or contract of significance to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party and in which a Director or an entity connected with the Director is or was materially interested, either directly or indirectly, subsisting during or at the end of the year ended 31 March 2018.

MAJOR CUSTOMERS AND SUPPLIERS

Sales to the Group's five largest customers accounted for approximately 73.3% and sales to the Group's largest customer amounted to approximately 32.4% of the total revenue for the year ended 31 March 2018, respectively. Purchases from the Group's five largest suppliers accounted for approximately 93.6% and purchases from the Group's largest supplier amounted to approximately 30.5% of the total purchases for the year ended 31 March 2018.

To the best knowledge of the Directors, neither the Directors, their close associates (as defined in the GEM Listing Rules), nor any shareholders (which to the knowledge of the Directors) owned more than 5% of the Company's issued Shares, had any beneficial interest in any of the Group's five largest customers or suppliers during the year ended 31 March 2018.

RELATED PARTY TRANSACTIONS

Related party transactions of the Group during the year ended 31 March 2018 are disclosed in note 25 to the consolidated financial statements in this annual report. They did not constitute connected transactions or continuing connected transactions, which are required to comply with the disclosure requirements in accordance with Chapter 20 of the GEM Listing Rules.

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.

DIVIDENDS

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

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to its existing shareholders.

REPORT OF THE DIRECTORS

CONTRACTS OF SIGNIFICANCE

Save for the material contracts disclosed in the Prospectus, no contract of significance in relation to the Group's business to which any member of the Group was a party and in which a Director had a material interest, whether directly or indirectly, subsisted at the end of the year ended 31 March 2018.

No contract of significance (including provision of services) between the Company, or any of its subsidiaries, and a controlling shareholder or any of its subsidiaries subsisted during the year ended 31 March 2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

As at the date of this annual report, the interests and short positions of the Directors and chief executives of the Company in the Shares, underlying Shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO"), which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rule 5.46 of the GEM Listing Rules to be notified to the Company and the Stock Exchange, were as follows:

(I) Long position in shares or underlying shares of the Company

Name of Directors	Nature of interest	Number of shares or underlying shares held			Percentage of issued share capital
		Ordinary Shares	Share option	Total	
Mr. Wu Di	Interest in a controlled corporation	293,940,000 (L)	–	293,940,000	73.485%

Notes:

- (1) The letter "L" denotes the Director's long position in the Shares.
- (2) The disclosed interest represents the interest in the Company held by IFG Swans Holding Ltd. ("IFG Swans"). The entire issued share capital of IFG Swans is wholly owned by Mr. Wu. By virtue of the SFO, Mr. Wu is deemed to be interested in the Shares held by IFG Swans.

(II) Long position in shares or underlying shares of associated corporation

Name of Directors	Name of associated corporation	Capacity	No. share(s) held	Percentage of interest
Mr. Wu Di	IFG Swans	Beneficial owner	1	100%

REPORT OF THE DIRECTORS

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

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

Name of Substantial Shareholder	Long/short position	Capacity	Number of Shares	Percentage of issued share capital
IFG Swans	Long position	Beneficial owner	293,940,000	73.485%
RUAN David Ching Chi	Long position	Interest of a controlled corporation	29,116,000	7.28%
RAYS Capital Partners Limited	Long position	Investment manager	29,116,000	7.28%
Asian Equity Special Opportunities Portfolio Master Fund Limited	Long position	Beneficial owner	28,104,000	7.03%

Note:

Mr. RUAN David Ching Chi holds 95.24% shareholding in RAYS Capital Partners Limited, which holds 100% shareholding in Asian Equity Special Opportunities Portfolio Master Fund Limited. Therefore, the Mr. RUAN David Ching Chi is deemed to be interested in the shares held by Asian Equity Special Opportunities Portfolio Master Fund Limited.

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

SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the "Share Option Scheme") on 26 March 2018 which took effect on the Listing Date. The following is a summary of the principal terms and conditions of the Share Option Scheme.

1. Purpose of the Share Option Scheme

The purpose of the Share Option Scheme is to recognise the Participants (as defined below) who have contributed to the Group and to provide the Participants an opportunity to have a personal stake in the Company.

2. Who may join

The Directors may, at their discretion, invite Directors (including non-executive Directors and independent non-executive Directors) and employees and any advisers, consultants, suppliers, customers and agents who the Board considers, in its sole discretion, have contributed or will contribute to the Group (the "Participants") to take up options at the subscription price.

REPORT OF THE DIRECTORS

3. Acceptance of an offer of options

An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptance of the options duly signed by the grantee, together with a remittance in favour of its Company of HK\$1.00 by way of consideration for the grant thereof, is received by its Company on or before the relevant acceptance date. Such payment shall in no circumstances be refundable. Any offer to grant an option to subscribe for Shares may be accepted in respect of less than the number of Shares for which it is offered provided that it is accepted in respect of a board lot for dealing in Shares on the Stock Exchange or an integral multiple thereof and such number is clearly stated in the duplicate offer document constituting acceptance of the option. To the extent that the offer to grant an option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

4. Maximum number of Shares

The maximum number of Shares in respect of which options may be granted (including Shares in respect of which options, whether exercised or still outstanding, have already been granted) under the Share Option Scheme and under any other share option schemes of its Company must not in aggregate exceed 10% of the total number of Shares in issue, being 40,000,000 Shares (the "Scheme Limit"), excluding for this purpose Shares which would have been issuable pursuant to options which have lapsed in accordance with the terms of the Share Option Scheme (or any other share option schemes of its Company).

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and any other share option schemes of its Company (including both exercised, outstanding options and Shares which were the subject of options which have been granted and accepted under the Share Option Scheme or any other scheme of its Company but subsequently cancelled (the "Cancelled Shares")), to each Eligible Participant in any 12-month period up to the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

5. Subscription price of the Shares

The subscription price of a Share in respect of any particular option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price will not be less than the highest of:

- (i) the closing price of the Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities;
- (ii) the average of the closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five Business Days immediately preceding the date of grant; and
- (iii) the nominal value of a Share.

REPORT OF THE DIRECTORS

6. Time of exercise of option and duration of the Share Option Scheme

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of ten years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than ten years after it has been granted. No option may be granted more than ten years after the date of approval of the Share Option Scheme by the shareholders of its Company (the "Adoption Date"). Subject to earlier termination by its Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of ten years from the Adoption Date.

No options were granted, exercised, cancelled or lapsed and there were no outstanding options from the date of the adoption of the Share Option Scheme to the date of this annual report.

Further particulars of the Share Option Scheme are set out in the section headed "Statutory and General Information — 13. Share Option Scheme" in Appendix IV to the Prospectus.

INTERESTS IN COMPETING BUSINESS

For the year ended 31 March 2018, none of the Directors or any of their respective close associates (as defined under the GEM Listing Rules) are engaged in any business that competes or may compete, directly or indirectly, with the business of the Group or have any other conflicts of interest with the Group nor are they aware of any other conflicts of interest which any such persons has or may have with the Group.

DEED OF NON-COMPETITION

IFG Swans and Mr. Wu Di (the "Covenantors"), being the controlling shareholders (as defined under the GEM Listing Rules) of the Company, have entered into a deed of non-competition in favour of the Company (the "Deed of Non-Competition"). Each of the Covenantors has undertaken under the Deed of Non-Competition not to directly or indirectly engage in the business which competes or may compete with the Group, on terms or conditions as disclosed in the Prospectus. Details of the Deed of Non-Competition have been disclosed in the section headed "Relationship with the Controlling Shareholders — Non-Competition Undertaking" of the Prospectus.

Each of the Covenantors has confirmed his or its compliance with the terms of the Deed of Non-Competition since the Listing Date and up to the date of this annual report. Meanwhile, the independent non-executive Directors were not aware of any non-compliance of the Deed of Non-Competition given by the Covenantors and were of the view that each of the Covenantors has complied with the Deed of Non-Competition.

DIRECTORS' EMOLUMENT POLICY

The Remuneration Committee has been established for reviewing the Group's emolument policy and structure for all remuneration of the Directors and senior management of the Group having regard to the Group's operating results, individual performance and comparable market standard and practices. The Company has adopted a Share Option Scheme as an incentive to the Directors and eligible employees, details of which are set out in the section headed "Share Option Scheme" of this report.

INTERESTS OF COMPLIANCE ADVISER

As notified by the Company's compliance adviser, RaffAello Capital Limited (the "Compliance Adviser"), save for the Compliance Adviser's agreement entered into between the Company and the Compliance Adviser dated 20 April 2018, neither the Compliance Adviser nor its directors, employees or close associates (as defined under the GEM Listing Rules) had any interest in the Group or in the share capital of the Company or any member of the Group which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules.

REPORT OF THE DIRECTORS

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Company had not entered into any connected transaction or continuing connected transactions which is subject to the disclosure requirements under the GEM Listing Rules.

CORPORATE GOVERNANCE

The Company is committed to maintaining a high standard of corporate governance. Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 14 to 22 of this annual report.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float under the GEM Listing Rules since the Listing Date and up to the latest practicable date prior to the issue of this annual report.

AUDITOR

The consolidated financial statements for the year ended 31 March 2018 have been audited by PricewaterhouseCoopers. A resolution will be proposed at the forthcoming annual general meeting of the Company to re-appoint PricewaterhouseCoopers as the auditor of the Company. There has been no change of auditor of the Company for the three years ended 31 March 2018.

EVENTS AFTER THE REPORTING PERIOD

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

On behalf of the Board

Mr. Wu Di

Chairman, an executive Director and Chief Executive Officer

Hong Kong, 20 June 2018

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

To the Shareholders of Zhicheng Technology Group Ltd.
(incorporated in the Cayman Islands with limited liability)

OPINION*What we have audited*

The consolidated financial statements of Zhicheng Technology Group Ltd. (the “Company”) and its subsidiaries (the “Group”) set out on pages 38 to 83, which comprise:

- the consolidated statement of financial position as at 31 March 2018;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 March 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the HKICPA’s Code of Ethics for Professional Accountants (“the Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter identified in our audit is relate to recoverability of trade receivables.

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Recoverability of trade receivables</p>	
<p>Refer to Note 4(b) (critical accounting estimates and judgements) and Note 15 (trade receivables) to the consolidated financial statements.</p>	<p>Our audit procedures in relation to management's assessment on the recoverability of the trade receivables included:</p>
<p>The majority of the Group's sales are made on letter of credit. For the remaining sales, customers are usually granted credit terms of 30 days. As at 31 March 2018, trade receivables amounted to HK\$31,087,000, including total balances of HK\$3,185,000 which were past due but not impaired.</p>	<p>We understood, evaluated and validated, on a sampling basis, the key controls in place, including aging analysis review and management's regular assessment on recoverability of the receivable balances;</p>
<p>Management has performed assessment on the recoverability of trade receivables as at 31 March 2018. When performing the assessment, management estimated the future cash flows of trade receivables individually with a number of factors, including the reputation, financial position and historical collection data of the customers, as well as the aging and subsequent settlements of the trade receivables.</p>	<p>We tested, on a sampling basis, the accuracy of the trade receivables aging report prepared by management by examining related sales contracts, shipping documents and sales invoices for sales of equipment and acceptance notes from customers for technical services rendered;</p>
<p>Recoverability of trade receivables is considered as a key audit matter to our audit because of the judgements involved in management's assessment and the significance of the trade receivables balance to the Group's consolidated financial statements.</p>	<p>We obtained management's assessment reports on the recoverability of trade receivables and performed our independent evaluation, especially on those past due debtors. We discussed with management about the basis of the analysis and examined the underlying information used for management's assessment, including but not limited to credit profile, payment history and public available information of the customers;</p>
	<p>We performed subsequent settlement test of trade receivables on a sampling basis by checking the relevant cash receipts.</p>
	<p>Based on the work performed, we considered management's judgement made in relation to the assessment on the recoverability of trade receivables were supported by the evidence obtained.</p>

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Ho Chiu Yin, Ivan.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 20 June 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Revenue	6	48,405	43,492
Cost of sales	7	(17,290)	(17,777)
Gross profit		31,115	25,715
Selling and marketing expenses	7	(1,839)	(1,255)
Administrative expenses	7	(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	9	(3,763)	(2,187)
(Loss)/Profit attributable to:			
Owners of the Company		(11,235)	17,259
Other comprehensive income			
<i>Items that will not be reclassified to profit or loss:</i>			
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\$)	10	(113.26)	176.11

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March	
		2018 HK\$'000	2017 HK\$'000
ASSETS			
Non-current assets			
Equipment	12	95	74
Intangible assets	13	403	326
Deferred income tax assets	14	–	134
		498	534
Current assets			
Trade receivables	15	31,087	23,511
Amounts due from a related party	25(c)	3,734	–
Other receivables	16	246	1,144
Prepayments	17	17,268	1,107
Restricted cash		429	469
Cash and cash equivalents	18	1,530	2,311
		54,294	28,542
Total assets		54,792	29,076
EQUITY			
Equity attributable to owners of the Company			
Share capital	19	–	–
Other reserves	20	1,806	634
Retained earnings		2,955	14,491
Total equity		4,761	15,125

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	As at 31 March	
		2018 HK\$'000	2017 HK\$'000
LIABILITIES			
Current liabilities			
Trade payables	21	8,307	2,182
Amounts due to a related party	25(c)	10,155	4,644
Other payables	22	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

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

These consolidated financial statements on pages 38 to 83 were approved by the board of directors of the Company on 20 June 2018 and were signed on its behalf.

Wu Di
Director

Liu Zhining
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i> <i>(Note 19)</i>	Other reserves <i>HK\$'000</i> <i>(Note 20)</i>	(Accumulated losses)/ Retained earnings <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2016	–	624	(2,768)	(2,144)
Comprehensive income				
— Profit for the year	–	–	17,259	17,259
— Other comprehensive income	–	10	–	10
Total comprehensive income	–	10	17,259	17,269
Balance at 31 March 2017	–	634	14,491	15,125
Balance at 1 April 2017	–	634	14,491	15,125
Comprehensive income				
— Loss for the year	–	–	(11,235)	(11,235)
— Other comprehensive income	–	–	–	–
Total comprehensive income	–	–	(11,235)	(11,235)
Issuance of shares	–	1,260	–	1,260
Deemed distributions to the then owner of a group company	–	(389)	–	(389)
Transfer to statutory reserve	–	301	(301)	–
Balance at 31 March 2018	–	1,806	2,955	4,761

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 March	
		2018 HK\$'000	2017 HK\$'000
Cash flows from operating activities			
Net cash generated from/(used in) operations	23	6,195	(309)
Income tax paid		(6,801)	(1,927)
Net cash used in operating activities		(606)	(2,236)
Cash flows from investing activities			
Purchases of equipment		(41)	(79)
Purchases of intangible assets		(102)	(184)
Net cash used in investing activities		(143)	(263)
Cash flows from financing activities			
Receipt of cash advances from a related party		23,242	17,208
Payment of cash advances to a related party		(21,076)	(15,089)
Distribution to the then owner of a group company		(389)	–
Payment for listing expenses		(3,149)	–
Proceeds from issuance of new shares	19(d)	1,260	–
Net cash (used in)/generated from financing activities		(112)	2,119
Net decrease in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		2,311	2,750
Exchange gains/(losses) on cash and cash equivalents		80	(59)
Cash and cash equivalents at end of the year		1,530	2,311

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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 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 Company and its subsidiaries (collectively 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 of Hong Kong Limited (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 directors (the “Board”) of the Company on 20 June 2018.

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.

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 equity 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)***2.1 Basis of preparation**

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4 of this section.

2.1.1 Changes in accounting policy and disclosure*(a) New 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 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure *(Continued)*

(a) *New standards and interpretations not yet adopted (Continued)*

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

- 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.

The Group's revenue recognition policies are disclosed in Note 2.17. 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 HKFRS 15 will lead to significant changes to the Group's existing revenue recognition.

- 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure *(Continued)*

(a) *New standards and interpretations not yet adopted (Continued)*

- 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: *(Continued)*

- Changes on classification and measurement of financial assets and liabilities *(Continued)*

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 (Note 2.8), 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 (Note 2.10). 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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.1 Basis of preparation *(Continued)*

2.1.1 Changes in accounting policy and disclosure *(Continued)*

(a) *New standards and interpretations not yet adopted (Continued)*

- 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, as set out in Note 2.19, 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.

2.2 Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed when necessary to ensure consistency with the policies adopted by the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.2 Subsidiaries *(Continued)*

Changes in ownership interests in subsidiaries without change of control

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

2.3 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker (“CODM”), who are responsible for allocating resources and assessing performance of the operating segments. The CODM has been identified as the executive directors that make strategic decisions.

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”). The consolidated financial statements is presented in HK\$, which is the Company’s functional and the Group’s presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated statement of comprehensive income.

Foreign exchange gains and losses that relate to cash and cash equivalents are presented in the income statement within “finance income” or “finance costs”. All other foreign exchange gains and losses are presented in the income statement within “other losses — net”.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.4 Foreign currency translation *(Continued)*

(c) Group companies

The results and financial position of the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each financial position presented are translated at the closing rate at the date of that financial position;
- income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

2.5 Equipment

Equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the any component accounted for as a separated asset is derecognised when replaced. All other repairs and maintenance are charged to the consolidated statement of comprehensive income during the financial period in which they are incurred.

Depreciation on equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Furniture and office equipment	5 years
--------------------------------	---------

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.7).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within consolidated statement of comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.6 Intangible assets

Computer software and patents

Separately acquired computer software and patents are shown at historical cost. The computer software and patents have a finite useful life and is carried at cost less accumulated amortisation.

Amortisation is calculated using the straight-line method to allocate the cost over its estimated useful lives.

2.7 Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

2.8.1 Classification

The Group currently only has financial assets in the category of loans and receivables which are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of "trade receivables", "other receivables" and "cash and cash equivalents" in the consolidated statement of financial position (Notes 15, 16 and 18).

2.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date — the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when the Group has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.10 Impairment of financial assets

Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated statement of comprehensive income. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated statement of comprehensive income.

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. See Note 2.8.2 for further information about the Group's accounting for trade receivables and Note 2.10 for a description of the Group's impairment policies.

2.12 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks. Bank deposits which are restricted to use are included in "restricted cash". Restricted cash are excluding from cash and cash equivalents included in the consolidated statement of cash flows.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.13 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.14 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.15 Current and deferred income tax

The income tax expense for the period comprises current and deferred tax. Income tax is recognised in the consolidated statement of comprehensive income, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

(a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

(b) Deferred income tax

Inside basis differences

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.15 Current and deferred income tax *(Continued)*

(b) Deferred income tax *(Continued)*

Outside basis differences

Deferred income tax liabilities are provided on taxable temporary differences arising from investments in subsidiaries, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient taxable profit available against which the temporary difference can be utilised.

(c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

2.16 Employee benefits

(a) Pension obligations

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in defined contribution retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to certain ceiling.

The municipal and provincial governments undertake to assume the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The Group's contributions to these plans are expensed as incurred.

The Group has arranged for its Hong Kong employees to join the Mandatory Provident Fund Scheme (the "MPF Scheme"), a defined contribution scheme managed by an independent trustee. Under the MPF Scheme, the group company in Hong Kong (the employer) and its employees make monthly contributions to the scheme at 5% of the employees' earnings as defined under the Mandatory Provident Fund legislation. The monthly contributions of each of the group company and its employees are subject to a cap of HK\$1,500 and thereafter contributions are voluntary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.16 Employee benefits *(Continued)*

(b) Housing funds, medical insurances and other social insurances

Employees of the group companies in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period. Contributions to these funds are expensed of as incurred.

(c) Bonus entitlements

The expected cost of bonus payments are recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

2.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity; and when specific criteria have been met for each of the Group's activities, as described below. The Group bases its estimates on historical results, taking into consideration the type of customers, the type of transactions and the specifics of each arrangement.

(a) Sales of goods

Sales of goods are recognised when a group entity has transferred the significant risks and rewards of ownership of the goods to the customers and the collectability of the related receivables is reasonably assured.

(b) Rendering of services

The Group provided technical services to external parties. Service fee is recognised as revenue when services are rendered.

2.18 Interest income

Interest income is recognised using the effective interest method.

2.19 Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases.

The Group is the lessee

Payments made under operating leases (net of any incentives received from the lessor), are charged to the profit or loss on a straight-line basis over the period of the lease.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

2.20 Research and development

Research expenditures are recognised as expenses or cost of sales as incurred. Costs incurred on development projects (relating to the design and developing of new or improved utility models and utility patents) are recognised as intangible assets if, and only if, the Group can demonstrate all of the following:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- its intention to complete the intangible asset and use or sell it;
- its ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Other development expenditures that do not meet these criteria are recognised as expenses or cost of sales when incurred. Development costs previously recognised as expenses or cost of sales are not recognised as an asset in a subsequent period.

2.21 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or directors, where appropriate.

2.22 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the financial department under policies approved by the Board.

3.1.1 Market risk

(a) Foreign exchange risk

Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

The PRC entity of the Group operates in the PRC with most of the transactions denominated and settled in RMB, which is the functional currency of PRC entity. Therefore, the PRC entity do not exposed to material foreign exchange risk.

For the operating entities that are incorporated in Hong Kong and BVI, their functional currencies are United States dollars ("US\$"). As certain trade and other receivables, bank balances, trade and other payables of the 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 directors consider that there is no significant foreign exchange risk with respect to HK\$. Therefore, the foreign exchange mainly arises from the monetary assets and liabilities denominated in EUR.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)**3.1.1 Market risk** (Continued)*(a) Foreign exchange risk (Continued)*

The carrying amounts of the Group's monetary assets and liabilities denominated in EUR at the end of the reporting period are as follows:

As at 31 March 2018	HK\$'000
Monetary assets	
— Cash and cash equivalents	8
Monetary liabilities	
— Trade payables	(1,896)
As at 31 March 2017	HK\$'000
Monetary assets	
— Trade receivables	501
— Cash and cash equivalents	507
	1,008
Monetary liabilities	
— Trade payables	(249)

As at 31 March 2018, if EUR had weakened/strengthened by 8% against US\$ with all other variables held constant, loss before income tax for the year would have decreased/increased by HK\$151,000 (2017: if EUR weakened/strengthened by 8% against US\$, profit before income tax would have been HK\$61,000 lower/higher).

(b) Cash flow interest rate risk

The Group's interest-bearing assets are mainly cash and cash equivalents. The directors considers the interest rate risk with respect to cash and cash equivalents to be insignificant to the Group.

The Group has not entered into any interest rate swaps to hedge its exposure to interest rate risks.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT *(Continued)*

3.1 Financial risk factors *(Continued)*

3.1.2 Credit risk

Credit risk mainly arises from cash and cash equivalents, restricted cash, trade receivables and other receivables. The carrying amount of these balances in the consolidated statement of financial position represents the Group's maximum exposure to credit risk in relation to its financial assets. Management has a credit policy in place and the exposure to these credit risks are monitored on an ongoing basis.

Majority of the Group's bank balances are placed in banks incorporated in the PRC which are reputable listed commercial banks or state-owned bank and listed banks incorporated in Hong Kong. Management does not expect any losses from non-performance by these banks and financial institutions as they have no default history in the past.

In respect of trade receivables and other receivables, individual credit evaluations are performed on significant customers. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. The Group generally requires customers to settle progress billings in accordance with contracted terms and other debts in accordance with agreements. Normally, the Group does not obtain collateral from customers.

Further quantitative disclosures in respect of trade receivables and other receivables are set out in Note 15 and 16.

3.1.3 Liquidity risk

To manage the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group expects to fund its future cash flow needs through internally generated cash flows from operation and borrowings from financial institutions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (Continued)**3.1 Financial risk factors** (Continued)**3.1.3 Liquidity risk** (Continued)

The table below analyses the Group's non-derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year HK\$'000
As at 31 March 2018	
Trade and other payables	37,821
Amounts due to a related party	10,155
	47,976
As at 31 March 2017	
Trade and other payables	3,760
Amounts due to a related party	4,644
	8,404

3.2 Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to enhance shareholders' value in the long term.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to the owner, issue new shares or sell assets to reduce debt.

No gearing ratio is presented as the Group has net cash surplus as at 31 March 2018 (2017: same).

3.3 Fair value estimation

The Group's financial assets and financial liabilities are mainly receivables and payables, respectively, which are carried at amortised cost. The fair values of these financial instruments approximate their carrying amount.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(a) Revenue recognition

The Group generates revenue principally through the sales of equipment and provision of technical supporting services in relation to the equipment. Management considered that revenue recognition is critical for these consolidated financial statements because operating profit or loss may be significantly affected by the timing of revenue recognition and how the contract sum was allocated to sales of equipment and provision of technical services.

Generally, the Group recognises revenue of sales of equipment when the product has been shipped to the customer. Technical services comprised mainly technical support, guidance and training for installation of the equipment, which are recognised when the services have been rendered and accepted by customers.

Allocation of contract sum to sales of equipment and provision of technical services is based on their fair value. Determining the fair value of each part of revenue requires management's estimation. The allocation is consistent with the payment terms in most contracts.

(b) Impairment of receivables

The Group records impairment of receivables based on an assessment made by the management on the recoverability of trade and other receivables. Provisions are applied where events or changes in circumstances indicate that the balances may not be collectible. Impairment assessment requires the use of judgement and estimates. Where the expectation is different from the original estimate, such difference will impact both the carrying value of trade and other receivables and the impairment charge in the period in which such estimate has been changed.

(c) Income taxes and deferred taxation

The Group is subject to income taxes in the PRC. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 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).

6 REVENUE

Revenue by nature:

	Year ended 31 March	
	2018 HK\$'000	2017 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6 REVENUE (Continued)

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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 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) (Note 8)	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 (Notes 12 and 13)	78	24
Auditor's 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

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS)

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Salaries, wages, bonuses and other benefits	2,575	1,997
Contribution to pension scheme	214	173
	2,789	2,170

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)**(a) Directors' and chief executive's emoluments**

The remuneration of each director and chief executive for the year ended 31 March 2018 is set out below:

Name	Fees HK\$'000	Salaries, wages, bonuses and other benefits HK\$'000	Contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors				
Mr. Wu (i)	–	146	18	164
Ms. Liu Zhining	–	145	16	161
Independent non-executive directors				
Mr. Tang Yong (ii)	3	–	–	3
Mr. Xing Shaonan (ii)	3	–	–	3
Mr. Tan Michael Zhen Shan (ii)	3	–	–	3
	9	291	34	334

The remuneration of each director and chief executive for the year ended 31 March 2017 is set out below:

Name	Salaries, wages, bonuses and other benefits HK\$'000	Contribution to pension scheme HK\$'000	Total HK\$'000
Executive directors			
Mr. Wu (i)	177	20	197
Ms. Liu Zhining	188	14	202
	365	34	399

- (i) Mr. Wu is the chief executive officer of the Company.
- (ii) Mr. Tang Yong, Mr. Xing Shaonan and Mr. Tan Michael Zhen Shan were appointed as non-executive directors on 26 March 2018.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 STAFF COSTS (INCLUDING DIRECTORS' EMOLUMENTS) (Continued)**(b) Five highest paid individuals**

For the year ended 31 March 2018, the five individuals whose emoluments were the highest in the Group included two directors whose emoluments is reflected in the analysis presented above (2017: one). The emoluments paid to the remaining individuals during the year are as follows:

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Salaries, wages, bonuses and other benefits	795	847
Contribution to pension scheme	71	74
	866	921

The emoluments of these remaining individuals of the Group fell within the following bands:

	Number of individuals	
	2018	2017
<i>Emolument bands</i>		
Below HK\$1,000,000	3	4

(c) Benefits and interests of directors

For the year ended 31 March 2018, no retirement benefits, payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2017: same). No consideration was provided to or receivable by third parties for making available directors' services. There are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2017: same).

No directors of the Company and their connected entities had a material interest, directly or indirectly, in any significant transactions, arrangements and contracts in relation to the Company's business to which the Company was or is a party that subsisted at the end of the year ended 31 March 2018 or at any time during the reported year (2017: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INCOME TAX EXPENSE

	Year ended 31 March	
	2018 HK\$'000	2017 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 HK\$'000	2017 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 INCOME TAX EXPENSE (Continued)

- (c) The statutory Hong Kong profits tax rate is 16.5%.

Hong Kong Cheng Phong and Bow Chak are Hong Kong incorporated companies and are obligated to file their profits tax returns to Hong Kong Inland Revenue Department. In their tax filing for prior years, Hong Kong Cheng Phong and Bow Chak have reported their income as onshore sourced and taxable under Hong Kong profits tax and paid Hong Kong profits tax though they have also paid the PRC corporate income tax as mentioned by Note (b) above. After reviewing the companies' operations, Hong Kong Cheng Phong and Bow Chak plan to report their income derived during the year as offshore sourced and not subject to Hong Kong profits tax. However, the offshore claim will be subject to review and agreement of the Hong Kong Inland Revenue Department and 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 subsidiary in Hong Kong other than Hong Kong Cheng Phong and Bow Chak because it does 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.

10 (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) (Note 19(c)). 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).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 DIVIDENDS

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

12 EQUIPMENT

	Furniture and office equipment <i>HK\$'000</i>
At 1 April 2016	
Cost	16
Accumulated depreciation	(9)
Net book amount	7
Year ended 31 March 2017	
Opening net book amount	7
Additions	79
Currency translation differences	(1)
Depreciation	(11)
Closing net book amount	74
At 31 March 2017	
Cost	91
Accumulated depreciation	(17)
Net book amount	74
Year ended 31 March 2018	
Opening net book amount	74
Additions	41
Currency translation differences	(2)
Depreciation	(18)
Closing net book amount	95
At 31 March 2018	
Cost	149
Accumulated depreciation	(54)
Net book amount	95

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 EQUIPMENT (Continued)

Depreciation of the equipment that has been charged to profit or loss is as follows:

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Administrative expenses	18	11

13 INTANGIBLE ASSETS

	Patent	Software	Total
	HK\$'000	HK\$'000	HK\$'000
At 1 April 2016			
Cost and net book amount	–	–	–
Year ended 31 March 2017			
Opening net book amount	–	–	–
Additions	322	20	342
Currency translation differences	(3)	–	(3)
Amortisation charge	(10)	(3)	(13)
Closing net book amount	309	17	326
At 31 March 2017			
Cost	319	20	339
Accumulated amortisation	(10)	(3)	(13)
Net book amount	309	17	326
Year ended 31 March 2018			
Opening net book amount	309	17	326
Additions	–	102	102
Currency translation differences	33	2	35
Amortisation charge	(47)	(13)	(60)
Closing net book amount	295	108	403
At 31 March 2018			
Cost	353	124	477
Accumulated amortisation	(58)	(16)	(74)
Net book amount	295	108	403

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTANGIBLE ASSETS (Continued)

Amortisation of the intangible assets that has been charged to profit or loss is as follows:

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Administrative expenses	60	13

14 DEFERRED INCOME TAX ASSETS

(a) The analysis of deferred income tax assets is as follows:

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
Deferred income tax assets		
— to be recovered within 12 months	—	134
	—	134

(b) The movements in deferred income tax assets during the year are as follows:

	Tax loss HK\$'000
At 1 April 2016	56
Credited to profit or loss	83
Currency translation differences	(5)
At 31 March 2017	134
At 1 April 2017	
Charged to profit or loss	(141)
Currency translation differences	7
At 31 March 2018	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 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 aging 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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 TRADE RECEIVABLES (Continued)

(c) Trade receivables were denominated in:

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
— US\$	26,878	21,868
— RMB	4,209	1,142
— EUR	—	501
	31,087	23,511

(d) The fair value of trade receivables approximated to their carrying amounts as at 31 March 2018 due to their short maturities (2017: same).

16 OTHER RECEIVABLES

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
Advances to employees	95	394
Tendering deposits	62	557
Others	89	193
	246	1,144

(a) Other receivables were denominated in:

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
— RMB	206	587
— US\$	40	557
	246	1,144

(b) The fair value of other receivables approximated to their carrying amounts as at 31 March 2018 due to their short maturities (2017: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 PREPAYMENTS

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
Incurring listing expenses to be capitalised after the Listing	14,308	–
Prepayments to suppliers	2,960	550
Prepaid outsourcing research and development expenses	–	557
	17,268	1,107

18 CASH AND CASH EQUIVALENTS

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
Cash at banks and on hand were denominated in:		
— RMB	1,072	363
— US\$	422	1,427
— HK\$	28	14
— EUR	8	507
	1,530	2,311

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 SHARE CAPITAL

	Note	Number of ordinary shares	Share capital US\$	Share capital HK\$
Authorised:				
Ordinary share of US\$0.0001 each:				
23 June 2017 (date of incorporation) and 31 March 2017	(a)	500,000,000	50,000	390,500
31 March 2018	(a)	5,000,000,000	500,000	3,905,000
Issued and fully paid:				
At 23 June 2017 (date of incorporation)	(a)	1	–	–
Issue shares to IFG Swans	(b)	97,980	10	78
Issue shares to Ms. Ching	(c)	19	–	–
Issue shares to an independent investor	(d)	2,000	–	–
As 31 March 2018		100,000	10	78

- (a) On 23 June 2017, the Company was incorporated in the Cayman Islands with an authorised share capital of 500,000,000 ordinary shares of US\$0.0001 each. Upon the incorporation of the Company, one subscriber share was allotted and issued to its parent company, IFG Swans, which is wholly owned by the Controlling Shareholder. On 26 March 2018, the authorised shares were increased to 5,000,000,000 ordinary shares of US\$0.0001 each.
- (b) On 25 August 2017, the Company issued 97,950 Shares as fully paid to IFG Swans and on 18 September 2017, the Company further issued 10 shares each to IFG Swans for the acquisition of Hong Kong Cheng Phong, Bow Chak and MGW Swans, respectively, pursuant to the Reorganisation.
- (c) On 1 August 2017, Mr. Wu sold 3% of his equity interest in Quick Tech to Ms. Ching Li Wen (“Ms. Ching”), an independent third party at consideration of RMB10,200 with reference to the fair value of Quick Tech. On 28 August 2017, Hong Kong Zhi Phong Technology Limited (“Hong Kong Zhi Phong”) acquired the 3% equity interest in Quick Tech from Ms. Ching at consideration of RMB10,200, which was satisfied by allotment and issuance of 19 shares by the Company as fully paid to Ms. Ching. On 28 August 2017, Hong Kong Zhi Phong further acquired the remaining 97% equity interest of Quick Tech from Mr. Wu at cash consideration of RMB331,200.
- (d) On 26 August 2017, Professor Yang Zhuoru, an independent third party, subscribed for 2,000 shares newly issued by the Company at cash consideration of approximately HK\$1,260,120.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 OTHER RESERVES

	Share premium <i>HK\$'000</i>	Capital reserves <i>HK\$'000</i>	Statutory reserves <i>HK\$'000</i>	Exchange reserves <i>HK\$'000</i>	Total <i>HK\$'000</i>
Balance at 1 April 2016	–	552	–	72	624
Other comprehensive income	–	–	–	10	10
Balance at 31 March 2017	–	552	–	82	634
Balance at 1 April 2017	–	552	–	82	634
Issuance of shares (<i>Note 19(d)</i>)	1,260	–	–	–	1,260
Deemed distributions to the then owner of a group company	–	(389)	–	–	(389)
Transfer to statutory reserve	–	–	301	–	301
Balance at 31 March 2018	1,260	163	301	82	1,806

(a) Capital reserves

Capital reserves included 1) the recapitalisation reserves representing the combined capital of the Operating Companies amounting to HK\$552,000; and 2) the deemed distribution to the Controlling Shareholder representing the cash consideration of HK\$389,000 (equivalent to RMB331,200) to Mr. Wu for acquisition of the 97% equity interest of Quick Tech during the Reorganisation (*Note 19(c)*).

(b) Statutory reserves

In accordance with relevant rules and regulations in the PRC, all the PRC companies that operated exclusively with foreign capitals are required to transfer an amount of not less than 10% of profit after taxation calculated under PRC accounting standards and regulations to the reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies. The appropriation to the enterprise expansion fund is solely determined by the board of directors of the PRC companies. The enterprise expansion fund can only be used to increase capital of the respective companies or to expand their production operations upon approval by the relevant authority.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE PAYABLES

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

(a) The aging 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

(b) Trade payables were denominated in:

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
— US\$	5,056	1,933
— EUR	1,896	249
— RMB	1,355	–
	8,307	2,182

(c) The fair value of trade payables approximated to their carrying amounts as at 31 March 2018 due to their short maturities (2017: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 OTHER PAYABLES

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
Accrued listing expenses	26,867	–
Other accrued expenses	2,647	1,578
Payroll payables	576	361
Other tax liabilities	986	171
	31,076	2,110

(a) Other payables were denominated in:

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
— HK\$	25,455	–
— RMB	5,275	2,110
— US\$	346	–
	31,076	2,110

(b) The fair value of other payables approximated to their carrying amounts as at 31 March 2018 due to their short maturities (2017: same).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CASH FLOW INFORMATION**(a) Cash generated from/(used in) operations**

Reconciliation of profit before income tax to net cash generated from/(used in) operations is as follows:

	Year ended 31 March	
	2018 HK\$'000	2017 HK\$'000
(Loss)/Profit before income tax	(7,472)	19,446
Adjustments for:		
— Depreciation of equipment (Note 12)	18	11
— Amortisation (Note 13)	60	13
— Other (gains)/losses	(509)	59
	(7,903)	19,529
Changes in working capital		
— Trade receivables	(7,576)	(21,265)
— Prepayments	(1,853)	3,848
— Other receivables	898	(1,025)
— Trade payables	6,125	1,649
— Advance receipts and other payables	16,464	(2,576)
— Restricted cash	40	(469)
Cash generated from/(used in) operations	6,195	(309)

(b) Net debt reconciliation

The following section sets out an analysis of net debt and the movements in net debt for each of the years presented. Net debt analysed for cash flow purpose represented liabilities arising from financing activities, which included amounts due to a related party during the respective year.

	As at 31 March	
	2018 HK\$'000	2017 HK\$'000
Cash and cash equivalents	1,530	2,311
Amounts due from a related party	3,734	—
Amounts due to a related party	(10,155)	(4,644)
Net debt	(4,891)	(2,333)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CASH FLOW INFORMATION (Continued)**(b) Net debt reconciliation** (Continued)

	Other assets		Liabilities from financing activities	Total
	Cash	Amounts due from a related party	Amounts due to a related party	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Net debt as at 1 April 2016	2,750	2,118	(4,643)	225
Cash flows	(380)	(2,118)	(1)	(2,499)
Foreign exchange adjustments	(59)	–	–	(59)
Net debt as at 31 March 2017	2,311	–	(4,644)	(2,333)
Cash flows	(861)	3,734	(5,511)	(2,638)
Foreign exchange adjustments	80	–	–	80
Net debt as at 31 March 2018	1,530	3,734	(10,155)	(4,891)

24 COMMITMENTS

The Group had the following non-cancellable operating lease commitments:

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
No later than 1 year	289	188
Later than 1 year and no later than 5 years	–	16
	289	204

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RELATED PARTY TRANSACTIONS**(a) Name and relationship with a related party**

Name	Relationship
Mr. Wu	Controlling Shareholder

(b) Key management compensation

	Year ended 31 March	
	2018	2017
	HK\$'000	HK\$'000
Salaries, wages, bonuses and other benefits	864	965
Contribution to pension scheme	86	73
Total	950	1,038

(c) Balances with a related party

As at 31 March 2017 and 2018, the Group had the following balances with a related party:

	As at 31 March	
	2018	2017
	HK\$'000	HK\$'000
Amounts due from a related party (i):		
— Mr. Wu	3,734	—
Amounts due to a related party (i):		
— Mr. Wu	10,155	4,644

- (i) The amounts are unsecured, interest-free, receivable/repayable on demand and non-trade in nature.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 SUBSIDIARIES OF THE COMPANY

Name of company	Place of incorporation, kind of legal entity and date of incorporation	Particulars of issued share capital/ registered capital	Equity interest held	Principal activities and place of operation
Directly held				
CPT Asia-Pacific Holding Ltd.	BVI, limited liability company, 18 August 2017	US\$1	100%	Investment holding, BVI
BCI East Asia Holding Ltd.	BVI, limited liability company, 18 August 2017	US\$1	100%	Investment holding, BVI
MG Pacific Holding Ltd.	BVI, limited liability company, 18 August 2017	US\$1	100%	Investment holding, BVI
ZHP Orient Holding Ltd.	BVI, limited liability company, 14 July 2017	US\$1	100%	Investment holding, BVI
Indirectly held				
Hong Kong Zhi Phong	Hong Kong, limited liability company, 27 July 2017	HK\$1	100%	Investment holding, Hong Kong
Hong Kong Cheng Phong	Hong Kong, limited liability company, 20 January 2010	HK\$100	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services, the PRC
Bow Chak	Hong Kong, limited liability company, 13 February 2014	HK\$100	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services, the PRC
MGW Swans	BVI, limited liability company, 27 December 2012	US\$100	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services, the PRC
Quick Tech	The PRC, limited liability company, 3 April 2008	RMB500,000	100%	Provision of smart manufacturing solutions, including sales of equipment and provision of technical services, the PRC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	As at 31 March 2018 HK\$'000
ASSETS	
Non-current assets	
Investments in subsidiaries	19,143
Current assets	
Amounts due from a subsidiary	1,260
Prepayments	14,308
	15,568
Total assets	34,711
EQUITY	
Equity attributable to owners of the Company	
Share capital	–
Other reserves (a)	20,403
Accumulated losses	(26,206)
Total equity	(5,803)
LIABILITIES	
Current liabilities	
Amounts due to subsidiaries	13,522
Other payables	26,992
Total liabilities	40,514
Total equity and liabilities	34,711

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (Continued)**(a) Reserve movement of the Company**

	Other reserve <i>HK\$'000</i>	Accumulated losses <i>HK\$'000</i>
Balance at 1 April 2017	–	–
Issuance of shares to acquire shares of certain group companies during the Reorganisation	19,143	–
Issuance of shares to an independent investor (Note 19 (d))	1,260	–
Loss for the year	–	(26,206)
Balance at 31 March 2018	20,403	(26,206)

28 SUBSEQUENT EVENTS**(a) Capitalisation issue**

Pursuant to the resolutions of the shareholders passed on 26 March 2018, 299,900,000 shares of US\$0.0001 each were allotted and issued at par to the then shareholders in proportion to their respective shareholdings as of 26 March 2018 by capitalisation of the sum of US\$29,990 standing to the credit of the share premium account of the Company as a result of the placing and public offer of the Company's shares on 20 April 2018.

(b) The Listing

The Company's shares were listed on GEM of the Stock Exchange on 20 April 2018 by way of placing and public offer of a total of 100,000,000 new shares at an offer price of HK\$0.65 per share.

FINANCIAL SUMMARY

A summary of the consolidated results of the Group for the years ended 31 March 2016, 2017 and 2018 and the consolidated assets and liabilities of the Group as at 31 March 2016, 2017 and 2018, as extracted from the Group's audited consolidated financial statements contained in this annual report and the Prospectus is set out below:

	Year ended 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Revenue	25,963	43,492	48,405
Gross profit	9,698	25,715	31,115
Profit/(Loss) before income tax	4,984	19,446	(7,472)
Profit/(Loss) for the year	3,622	17,259	(11,235)
Gross profit margin	37.4%	59.1%	64.3%
Net profit/(loss) margin	14.0%	39.7%	(23.2%)

	As at 31 March		
	2016 HK\$'000	2017 HK\$'000	2018 HK\$'000
Total assets	12,251	29,076	54,792
Total liabilities	(14,395)	(13,951)	(50,031)
Net assets	(2,144)	15,125	4,761
Total equity	(2,144)	15,125	4,761
Current ratio	84.7%	204.6%	108.5%
Quick ratio	84.7%	204.6%	108.5%