

ZHICHENG

TECHNOLOGY GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8511

FIRST QUARTERLY
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 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 directors (the “Directors”) of Zhicheng Technology Group Ltd. (the “Company”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on GEM of the Stock Exchange (the “GEM Listing Rules”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this 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.

HIGHLIGHTS

Recorded an unaudited revenue of approximately HK\$1.6 million for the three months ended 30 June 2018, representing a decrease of approximately 72.4% as compared to the corresponding period of the previous year.

Recorded an unaudited loss attributable to the owners of the Company of HK\$4.1 million for the three months ended 30 June 2018, representing a decrease of HK\$2.4 million as compared to the corresponding period of the previous year, which was mainly attributed to the decrease in income and gross profit margin.

Basic and diluted losses per share for the three months ended 30 June 2018 were approximately HK1.08 cents (2017: basic and diluted losses per share approximately HK0.57 cents).

The board of Directors (the “Board”) of the Company presents the unaudited condensed consolidated financial results of the Company and its subsidiaries (collectively the “Group”) for the three months ended 30 June 2018, together with the comparative unaudited figures for the corresponding period of 2017 as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Three months ended 30 June	
		2018 HK\$'000 (Unaudited)	2017 HK\$'000 (Unaudited)
Revenue	3	1,581	5,733
Cost of sales		(1,124)	(1,283)
Gross profit		457	4,450
Selling and marketing expenses		(842)	(460)
Administrative expenses		(4,495)	(5,556)
Other income — net		357	—
Operating (loss)/profit		(4,523)	(1,567)
Finance income		267	1
Loss before income tax		(4,256)	(1,566)
Income tax credit/(expense)	4	156	(102)
Loss attributable to:			
Owners of the Company		(4,100)	(1,668)
Other comprehensive income		—	—
Total comprehensive income attributable to:			
Owners of the Company		(4,100)	(1,668)
Losses per share (expressed in HK cent per share)	6		
— Basic and diluted		HK1.08 cents	HK0.57 cents

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital <i>HK\$'000</i>	Share premium <i>HK\$'000</i>	Capital reserve <i>HK\$'000</i>	Exchange reserve <i>HK\$'000</i>	Statutory reserve <i>HK\$'000</i>	Retained earnings/ (accumulated losses) <i>HK\$'000</i>	Total <i>HK\$'000</i>
Unaudited:							
Balance at 1 April 2017	-		552	82		14,491	15,125
Comprehensive income							
— Profit for the period	-	-	-	-	-	(1,668)	(1,668)
— Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(1,668)	(1,668)
Balance at 30 June 2017	-	-	552	82	-	12,823	13,457
Unaudited:							
Balance at 1 April 2018	-	1,260	163	82	301	2,955	4,761
Comprehensive income							
— Loss for the period	-	-	-	-	-	(4,100)	(4,100)
— Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	-	(4,100)	(4,100)
Issuance of shares by capitalisation							
	234	(234)	-	-	-	-	-
Issuance of shares							
	78	64,922	-	-	-	-	65,000
Shares issuance costs							
	-	(14,308)	-	-	-	-	(14,308)
Balance at 30 June 2018	312	51,640	163	82	301	(1,145)	51,353

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Zhicheng Technology Group Ltd. was incorporated in the Cayman Islands on 23 June 2017 as an exempted company with limited liability. The address of its registered office is the offices of Sertus Incorporations (Cayman) Limited, Sertus Chambers, Governors Square, Suit # 5-204, 23 Lime Tree Bay Avenue, P.O. Box 2547 Grand Cayman, KY1-1104 Cayman Islands. The Company's shares were listed on GEM of the Stock Exchange on 20 April 2018.

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").

These financial statements are presented in Hong Kong dollar ("HK\$"), unless otherwise stated, and have been approved for issue by the Board of the Company on 7 August 2018.

2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The accounting policies and method of computation used in preparing the unaudited condensed consolidated results are consistent with those used in the audited financial statements for the year ended 31 March 2018, except in relation to the new and revised standards, amendments and interpretations ("new and revised HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants that are adopted for the first time for the current period's financial statements. The adoption of these new and revised HKFRSs has had no material impact on the unaudited condensed consolidated financial statements. The unaudited condensed consolidated quarterly results have not been reviewed by the Company's auditors, but have been reviewed by the Company's audit committee.

The Group has not early adopted any new and revised HKFRSs that have been issued but are not yet effective.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3 REVENUE

Revenue by nature:

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Precision 3D testing solutions		
— Sales of equipment	—	3,496
— Technical services	643	2,237
	643	5,733
Precision machining solutions		
— Sales of equipment	938	—
— Technical services	—	—
	938	—
Total	1,581	5,733

Revenue by type of solutions:

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Precision 3D testing solutions		
— Static 3D scanning	643	5,086
— Dynamic 3D scanning	—	647
	643	5,733
Precision machining solutions	938	—
Total	1,581	5,733

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 INCOME TAX (CREDIT)/EXPENSE

	Three months ended 30 June	
	2018	2017
	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)
Current income tax		
— PRC corporate income tax	26	215
— Others	—	70
Deferred income tax	(182)	(183)
	(156)	102

- (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 Corporation Ltd. ("Quick Tech"), the Group's subsidiary incorporated in the PRC, was awarded the High and New Technology Enterprise which is 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 Technology Limited ("Hong Kong Cheng Phong"), Bow Chak Industry (HK) Limited ("Bow Chak") and MGW Swans Ltd. ("MGW Swans") are the Group's subsidiaries incorporated in Hong Kong and BVI. However, their principal businesses for the three months ended 30 June 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 three months ended 30 June 2018 (2017: same).
- (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 for the three months ended 30 June 2018 (2017: same).

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 three months ended 30 June 2018.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

4 INCOME TAX (CREDIT)/EXPENSE *(Continued)*

- (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.

5 DIVIDENDS

The directors did not recommend the payment of any interim dividend for the three months ended 30 June 2018 (2017: nil).

6 LOSSES PER SHARE

Basic losses per share is calculated by dividing the loss for the period by the weighted average number of ordinary shares in issue during the three months ended 30 June 2018 and 2017. In determining the weighted average number of the ordinary shares in issue, the 98,000 ordinary shares issued during the Reorganisation were deemed to be in issue throughout the periods. Capitalisation issue of 299,900,000 shares to the then shareholder has also been taken into account.

	Three months ended 30 June	
	2018 (Unaudited)	2017 (Unaudited)
Loss for the period attributable to owners of the Company (HK\$'000)	(4,100)	(1,668)
Weighted average number of ordinary shares in issue (thousand shares)	379,121	294,000
Basic losses per share	HK1.08 cents	HK0.57 cents

Diluted losses per share presented is the same as the basic losses per share as there were no potentially dilutive ordinary shares issued during the three months ended 30 June 2018 (2017: same).

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW AND OUTLOOK

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

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

For the three months ended 30 June 2018, the Group had 12 projects on hand, all of which were carried forward from the prior financial year. Although no new project was obtained during the period, the Group has been striving to expand its business. On one hand, it has proactively approached new potential customers, in order to expand its business coverage in terms of industries and regions. On the other hand, it has actively consolidated the relationship with its existing customers, with a view to obtaining new projects from the existing customers. In addition, the Group was also committed to research and development of new technologies and upgrading solutions during the period. It is expected that upon the completion of the upgrade, it will be able to meet more market demands and broaden the market. Meanwhile, the Group has also recruited staffs for sales and marketing department and administrative department during the period, to reserve suitable talents for business development in the future.

During the period under review, the Company has undertaken research and development activities on technology applications, new auxiliary tools design and relevant software applications, dedicating to become a pioneer in precision 3D testing and precision machining solution provider. Currently, the Company had 8 registered patents, including 3 invention patents and 5 utility model patents, and 5 pending invention patent registrations.

Looking ahead, the Company will continue to maintain its technology advantages and promote its integrated smart manufacturing solutions, and keep abreast of the latest technological changes relevant to its industry by organising seminars and participating in exhibitions. In addition, the Company will actively establish its research and development centres, which will carry out works in Beijing and Guangzhou with focus on research and development in solution design and technology applications. Moreover, the Company will also 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 three months ended 30 June 2018, the Group recorded revenue of approximately HK\$1.6 million, representing a decrease of 72.4% comparing with that of approximately HK\$5.7 million for the three months ended 30 June 2017. Set out below is the revenue breakdown of the Group for the three months ended 30 June 2018 and the three months ended 30 June 2017:

	Three months ended 30 June			
	2018		2017	
	Revenue HK\$'000	% of revenue %	Revenue HK\$'000	% of revenue %
Precision 3D testing solutions				
Static 3D scanning	643	40.7	5,086	88.7
Dynamic 3D scanning	–	–	647	11.3
Overall precision 3D testing solutions	643	40.7	5,733	100.0
Precision machining solutions	938	59.3	–	–
All solutions	1,581	100.0	5,733	100.0

Precision 3D testing solutions: Revenue from precision 3D testing solutions decreased by 88.8% to HK\$0.6 million for the three months ended 30 June 2018 from HK\$5.7 million for the three months ended 30 June 2017. This decrease was mainly attributable to a decrease in the number and total contract value of precision 3D testing solutions undertaken by the Group. For the three months ended 30 June 2018, the Group's revenue was derived from 2 projects, the revenue recognised from which were low as only technical services were provided. For the three months ended 30 June 2017, the Company has carried out 6 precision 3D testing solutions projects, and the contract values of which were high.

Precision machining solutions: For the three months ended 30 June 2018, the Company has carried out 1 precision machining solutions project and recorded a revenue of HK\$0.9 million, while for the three months ended 30 June 2017, the Company did not carry out any precision machining solutions project.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of sales

Cost of sales decreased by 12.4% to HK\$1.1 million for the three months ended 30 June 2018 from HK\$1.3 million for the three months ended 30 June 2017, mainly due to the lower cost of equipment as a result of fewer projects carried out during this period.

Gross profit and gross profit margin

As a result of the foregoing, gross profit decreased by 89.7% to HK\$0.5 million for the three months ended 30 June 2018 from HK\$4.5 million for the three months ended 30 June 2017. Its gross profit margin decreased to 28.9% for the three months ended 30 June 2018 from 77.6% for the three months ended 30 June 2017, mainly due to 2 precision 3D testing solutions projects and 1 precision machining solutions project of low gross profit margin carried out during this period, compared to 6 precision 3D testing solutions projects of high gross profit margin carried out for the three months ended 30 June 2017.

Selling and marketing expenses

Selling and marketing expenses increased to HK\$0.8 million for the three months ended 30 June 2018 from HK\$0.5 million for the three months ended 30 June 2017. This increase was mainly attributable to an increase in advertising and promotion fees as the Company has enhanced its marketing efforts.

Administrative expenses

Administrative expenses decreased by 19.1% to HK\$4.5 million for the three months ended 30 June 2018 from HK\$5.6 million for the three months ended 30 June 2017. The decrease was mainly due to a decrease of HK\$3.5 million in listing expenses, which was offset by an increase of HK\$2.4 million in expenses arising from operation expansion.

Income tax expense

The Company had an income tax credit of HK\$0.2 million for the three months ended 30 June 2018.

Income tax expense included the deferred income tax credit of Quick Tech amounting to HK\$0.2 million, which was offset by the PRC income tax of Cheng Phong and Bow Chak amounting to HK\$26,000, being calculated on a deemed profit basis.

The calculation of effective tax rate was not applicable as the Group had recorded a loss before income tax of approximately HK\$4.3 million.

Loss

The Company recorded a loss of HK\$4.1 million for the three months ended 30 June 2018 compared to a loss of HK\$1.7 million for the three months ended 30 June 2017. The increase in loss was mainly due to the above-mentioned decrease in revenue and gross profit margin.

MANAGEMENT DISCUSSION AND ANALYSIS

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

Borrowings

As at 30 June 2018, the Group did not have any bank borrowings and other interest-bearing borrowings.

Contingent Liabilities

As at 30 June 2018, the Group did not have any significant contingent liabilities.

Capital Commitments

As at 30 June 2018, the Group had the following non-cancellable operating lease commitments:

	<i>HK\$'000</i>
No later than 1 year	374

Pledge of Assets

As at 30 June 2018, the Group did not have any pledge on its assets.

Exchange Rate Risk Exposure

For the operating entities of the Group 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 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 30 June 2018, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

Except for the investment regarding research and development centres as disclosed in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 29 March 2018 (the "Prospectus"), as at 30 June 2018, the Group did not have any plans for material investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the three months ended 30 June 2018, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies, save as reorganisation of the Listing as disclosed in the section headed "History, Reorganisation and Corporate Structure" in the Prospectus.

MANAGEMENT DISCUSSION AND ANALYSIS

EMPLOYEES AND EMOLUMENT POLICIES

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

USE OF PROCEEDS

The Company's shares were listed on GEM of the Stock Exchange on 20 April 2018, and all of the funds raised from the initial public offering have been received within the three months ended 30 June 2018. The Company intended to apply the net proceeds of approximately HK\$25 million in the manner as described in the section headed "Use of Proceeds" in the annual report of the Company dated 27 June 2018 ("2017 Annual Report"). As at 30 June 2018, all of the unutilised net proceeds have been deposited into bank accounts under the name of the Group.

Set out below is the use of the net proceeds for the three months ended 30 June 2018:

Use of proceeds	Amount of planned use according to the 2017 Annual Report <i>HK\$ million</i>	Amount used during the current period since the Listing Date <i>HK\$ million</i>	Remaining balance <i>HK\$ million</i>
Establishing our own research and development centres and further research and development expenditures relating to product research and development, recruitment and provision of training for technical staff	11.9	0.4	11.5
Business expansion, including establishment of sales branches in different regions in China, expansion of office premises, recruitment of management and local salesforces for various branches and provision of relevant internal and external training	6.8	–	6.8
Organising seminars, participating in local and international exhibitions and developing and implementing advertising plans	3.8	0.5	3.3
Working capital and general corporate purposes	2.5	–	2.5
	25	0.9	24.1

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2018, 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/Nature	No. share(s) held	Percentage of interest
Mr. Wu Di	IFG Swans	Beneficial owner	1	100%

MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2018, 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/ Nature	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 30 June 2018, 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.

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 of the Company.

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 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERESTS IN COMPETING BUSINESS

For the three months ended 30 June 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 they have or may have with the Group.

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

None of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period from the Listing Date to 30 June 2018.

INTERESTS OF COMPLIANCE ADVISER

As advised 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the reporting period, 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 PRACTICES

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

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

Save as disclosed 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 Listing Date.

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 Listing Date (i.e. 20 April 2018) and up to 30 June 2018.

MANAGEMENT DISCUSSION AND ANALYSIS

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the three months ended 30 June 2018 (for the three months ended 30 June 2017: nil).

AUDIT COMMITTEE

The Company has established the audit committee (the "Audit Committee") with effect from 26 March 2018 with written terms of reference in compliance with the code provisions of the Code. The primary duties of the Audit Committee are to make recommendations to the Board on the appointment, re-appointment and removal of external auditors, review and supervise the Group's financial reporting process and internal control system and to provide advice and comments to the Board.

The quarterly results of the Group for the three months ended 30 June 2018 have been reviewed by the Audit Committee in a meeting held on 7 August 2018.

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

Hong Kong, 7 August 2018