

# ZHICHENG

TECHNOLOGY GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8511

FIRST QUARTERLY REPORT

2020

**CHARACTERISTICS OF GEM OF THE STOCK EXCHANGE OF HONG KONG LIMITED (THE “STOCK EXCHANGE”)**

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**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.**

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*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.ztecgrou.com](http://www.ztecgrou.com) and will remain on the “Latest Company Announcements” page on the GEM website at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its posting.*

## HIGHLIGHTS

The Company recorded an unaudited revenue of approximately HK\$2.5 million for the three months ended 30 June 2020, representing a decrease of approximately 40.6% as compared to the corresponding period of the previous year.

The Company recorded an unaudited loss attributable to the owners of the Company of HK\$2.0 million for the three months ended 30 June 2020, compared to the loss of HK\$1.8 million in the corresponding period of the previous year, which was mainly attributed to the decrease in gross profit.

Basic and diluted losses per share for the three months ended 30 June 2020 were approximately HK0.50 cents (2019: basic and diluted losses per share approximately HK0.46 cents).

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

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 2020 (the “**Reporting Period**”), together with the comparative unaudited figures for the corresponding period of 2019 as follows:

The unaudited condensed consolidated financial results have not been audited by the Company’s auditors, but have been reviewed by the Company’s audit committee.

	Note	For the three months ended 30 June	
		2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
Revenue	3	2,526	4,252
Cost of sales		(557)	(1,581)
<b>Gross profit</b>		<b>1,969</b>	2,671
Selling and marketing expenses		(997)	(1,219)
Administrative expenses		(3,169)	(3,401)
Other (losses)/gains — net		(62)	45
<b>Operating loss</b>		<b>(2,259)</b>	(1,904)
Finance income		5	8
<b>Loss before income tax</b>		<b>(2,254)</b>	(1,896)
Income tax expense	4	243	71
<b>Loss attributable to:</b>			
Owners of the Company		<b>(2,011)</b>	(1,825)
Other comprehensive income		—	—
<b>Total comprehensive income attributable to:</b>			
Owners of the Company		<b>(2,011)</b>	(1,825)
<b>Losses per share</b>			
— Basic and diluted ( <i>HK cents</i> )	6	<b>(0.50)</b>	(0.46)

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Foreign exchange reserves HK\$'000	Other reserves HK\$'000	(Accumulated losses)/ Retained earnings HK\$'000	Total HK\$'000
<b>Balance at 1 April 2019</b>							
<b>(Audited)</b>	312	51,640	163	12	1,156	9,411	62,694
Comprehensive income							
— Loss for the period	—	—	—	—	—	(1,825)	(1,825)
Total comprehensive income	—	—	—	—	—	(1,825)	(1,825)
<b>Balance at 30 June 2019</b>							
<b>(Unaudited)</b>	312	51,640	163	12	1,156	7,586	60,869
<b>Balance at 1 April 2020</b>							
<b>(Audited)</b>	312	51,640	163	(1,908)	2,461	11,244	63,912
Comprehensive income							
— Loss for the period	—	—	—	—	—	(2,011)	(2,011)
Total comprehensive income	—	—	—	—	—	(2,011)	(2,011)
<b>Balance at 30 June 2020</b>							
<b>(Unaudited)</b>	312	51,640	163	(1,908)	2,461	9,233	61,901

# 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, Suite # 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 subsidiaries are principally engaged in the provision of smart manufacturing solutions including sales of equipment and provision of relevant technical service in the People's Republic of China (the "PRC").

These unaudited condensed consolidated 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 29 July 2020.

## 2 BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The unaudited condensed consolidated results of the Group for the three months ended 30 June 2020 have 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 unaudited condensed consolidated financial statements have been prepared under the historical cost convention.

The accounting policies adopted in preparing the unaudited condensed consolidated results for the three months ended 30 June 2020 are consistent with those adopted in the audited financial statements for the year ended 31 March 2020, except for a number of new standards and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants that are effective for the current accounting period of the Group. The adoption of these new and revised HKFRSs has had no material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented.

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:

	For the three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Precision 3D testing solutions</b>		
— Sales of equipment	—	3,367
— Technical services	2,526	885
<b>Total</b>	<b>2,526</b>	<b>4,252</b>

Revenue by type of solutions:

	For the three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Precision 3D testing solutions</b>		
— Static 3D scanning	2,315	3,367
— Dynamic 3D scanning	211	885
<b>Total</b>	<b>2,526</b>	<b>4,252</b>



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4 INCOME TAX EXPENSE

	For the three months ended 30 June	
	2020 HK\$'000 (Unaudited)	2019 HK\$'000 (Unaudited)
<b>Current income tax</b>		
— PRC corporate income tax	7	160
— Others	6	291
Deferred income tax	(256)	(522)
	(243)	(71)

No income tax relating to components of other comprehensive income was charged for the three months ended 30 June 2020 (2019: same).

- (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 three years. Assuming that there is no change to the relevant laws and regulations, the directors consider that Quick Tech will continue to be granted the preferential tax treatment through an application of renewal, and accordingly, tax rate of 15% has been applied when considering the current income tax for the three months ended 30 June 2020 and the deferred income tax.

- (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 were carried out in the PRC 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 2020 (2019: same).



## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 4 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 years before 2016, 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 started from year 2017 and will continue to report their income derived during this year as offshore sourced. 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 profits tax provision according to 16.5% profits tax rate in Hong Kong.

Hong Kong Zhi Phong Technology Limited ("**Hong Kong Zhi Phong**") is a subsidiary of the Group incorporated in Hong Kong other than Hong Kong Cheng Phong and Bow Chak. Hong Kong Zhi Phong has made its profits tax provision according to 16.5% profits tax rate in Hong Kong for the three months ended 30 June 2020.

- (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 has not made provision for Hong Kong profits tax in Hong Kong because the Company has no any taxable profits in Hong Kong for the three months ended 30 June 2020.

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.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

### 5 DIVIDEND

The directors did not recommend the payment of any interim dividend for the three months ended 30 June 2020 (2019: 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 2020 and 2019.

	For the three months ended 30 June	
	2020 (Unaudited)	2019 (Unaudited)
Loss for the period attributable to owners of the Company ( <i>HK\$'000</i> )	<b>(2,011)</b>	(1,825)
Weighted average number of ordinary shares in issue ( <i>thousand of shares</i> )	<b>400,000</b>	400,000
Basic losses per share ( <i>HK cents</i> )	<b>(0.50)</b>	(0.46)

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 2020 (2019: 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.

For the three months ended 30 June 2020, the Group strived for organic growth by actively approaching new customers of various industries and regions, as well as consolidating relationships with existing customers. During the reporting period, 2 new projects were obtained, and 10 existing projects were completed by the Group. Thus, the Group had 8 on-going projects as at 30 June 2020, which were all precision 3D testing solutions projects. The Group will continue to innovate and develop new technologies and make use of solutions that advance with the times, aiming to meet the ever-growing market demands.

The Group has ever been aiming at new technology development including new auxiliary tools design and relevant software applications. As of 30 June 2020, the Group has 16 registered patents, including 6 invention patents and 10 utility model patents as well, and 9 invention patents in the registration process.

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

The outbreak of COVID-19 in early 2020 has brought notable disruption to the economic activities in China and even the whole world. The Group has gradually resumed its business activities since March 2020. Given the uncertainty of both the duration of the pandemic and the implementation of pandemic preventive measures, further changes in economic conditions may have impact on the Group’s financial results, the extent of which cannot be quantified as at the date of this report. For the time being, the projects on hand are in steady progress and not significantly affected by the pandemic. The Group will continue to monitor the development of the pandemic and react proactively to its impact on the Group’s performance.

## MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCIAL REVIEW

#### Revenue

For the three months ended 30 June 2020, the Group recorded revenue of approximately HK\$2.5 million, representing a decrease of 40.6% comparing with that of approximately HK\$4.3 million for the three months ended 30 June 2019. Set out below is the revenue breakdown of the Group for the three months ended 30 June 2020 and the three months ended 30 June 2019:

	For the three months ended 30 June			
	2020		2019	
	Revenue HK\$'000	% of Revenue (%)	Revenue HK\$'000	% of Revenue (%)
<b>Precision 3D testing solutions</b>				
Static 3D scanning	2,315	91.6	3,367	79.2
Dynamic 3D scanning	211	8.4	885	20.8
<b>Overall precision 3D testing solutions</b>	<b>2,526</b>	<b>100</b>	4,252	100
<b>All solutions</b>	<b>2,526</b>	<b>100</b>	4,252	100

Precision 3D testing solutions: Revenue from precision 3D testing solutions decreased by 40.6% to HK\$2.5 million for the three months ended 30 June 2020 from HK\$4.3 million for the three months ended 30 June 2019. This decrease was mainly attributable to a decrease in the contract value of precision 3D testing solutions undertaken by the Group. For the three months ended 30 June 2020, in accordance with the Group's project implementation schedule, no project providing imported or home-made modules was implemented, and accordingly the revenue was totally generated from projects related to provision of technical services of which the contract value was relatively low. While for the three months ended 30 June 2019, the revenue was mainly derived from a project providing imported modules of which the contract value was relatively high.

Precision machining solutions: For both the three months ended 30 June 2020 and the three months ended 30 June 2019, no revenue was derived from precision machining solutions.

#### Cost of sales

Cost of sales decreased by 64.8% to HK\$0.6 million for the three months ended 30 June 2020 from HK\$1.6 million for the three months ended 30 June 2019, mainly due to the decrease in equipment costs. For the three months ended 30 June 2020, no equipment costs was incurred since all the implemented projects were related to provision of technical services. While for three months ended 30 June 2019, a project providing imported modules was implemented with relatively high equipment costs.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Gross profit and gross profit margin

As a result of the foregoing, gross profit decreased by 26.3% to HK\$2.0 million for the three months ended 30 June 2020 from HK\$2.7 million for the three months ended 30 June 2019. The gross profit margin increased to 77.9% for the three months ended 30 June 2020 from 62.8% for the three months ended 30 June 2019, mainly due to the fact that all the projects implemented for the three months ended 30 June 2020 were related to provision of technical services normally with relatively high gross profit margin.

### Selling and marketing expenses

Selling and marketing expenses decreased by 18.2% to HK\$1.0 million for the three months ended 30 June 2020 from HK\$1.2 million for the three months ended 30 June 2019. This decrease was mainly attributable to a decrease of HK\$0.2 million in travelling expenses as the Group's business travel activities were affected by the COVID-19 pandemic.

### Administrative expenses

Administrative expenses decreased by 6.8% to HK\$3.2 million for the three months ended 30 June 2020 from HK\$3.4 million for the three months ended 30 June 2019. The decrease was mainly due to a decrease of HK\$0.3 million in research and development expenditure, which was offset by an increase of HK\$0.1 million in other administrative expenses.

### Income tax expense

The Company had an income tax credit of HK\$0.2 million for the three months ended 30 June 2020 (2019: HK\$0.1 million). Income tax expense included the PRC income tax of Hong Kong Cheng Phong, Bow Chak and MGW Swans, 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\$2.3 million.

### Loss for the period

The Company recorded a loss of HK\$2.0 million for the three months ended 30 June 2020 compared to a loss of HK\$1.8 million for the three months ended 30 June 2019. The increase in loss was mainly due to the abovementioned decrease in gross profit.

## LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

### Borrowings

As at 30 June 2020, the Group did not have any bank borrowings and other interest-bearing borrowings.

### Contingent Liabilities

As at 30 June 2020, the Group did not have any significant contingent liabilities.

### Capital Commitments

As at 30 June 2020, the Group did not have any capital commitments.

## MANAGEMENT DISCUSSION AND ANALYSIS

### Pledge of Assets

As at 30 June 2020, 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 (“**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 30 June 2020, the Group did not hold any significant investments.

### FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

At 30 June 2020, 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 2020, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

### EMPLOYEES AND EMOLUMENT POLICIES

As at 30 June 2020, the Group had a total of 25 (2019: 28) employees, including executive directors of the Company. The Group values employees because they are pivotal to our success. To recruit, develop and retain talented employees, the Group has provided its employees competitive remuneration packages, including internal promotion opportunities and performance-based bonus. The remuneration committee of the Company 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### PRINCIPAL RISKS AND UNCERTAINTIES

#### Business risk

The principal business of the Group is to provide smart manufacturing solutions to its customers on a project basis. As there are not any long term contractual arrangements with its customers, no assurance that the Group 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 teams and administrative teams, sales points and sales coverage, aiming to continuously get new tenders, secure contracts from more customers and increase market share.

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 and competitiveness in terms of technology.

#### 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.

#### 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 other channels.



## 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 2020, 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		Total	Percentage of issued share capital
		Ordinary Share	Shares option		
Mr. Wu Di	Interest in a controlled corporation	293,940,000 "L"	–	293,940,000	73.49%

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%

Save as disclosed above and so far the Directors, as at 30 June 2020, none of the Directors and chief executive of the Company had any interests or short positions in the share, underlying shares and debentures of the Company and its associated corporation (within the meaning of Part XV of 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

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

As at 30 June 2020, 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	73.49%
RUAN David Ching Chi <i>Note</i>	Long position	Interest of a controlled corporation	29,116,000	7.28%
RAYS Capital Partners Limited <i>Note</i>	Long position	Investment manager	29,116,000	7.28%
Asian Equity Special Opportunities Portfolio Master Fund Limited <i>Note</i>	Long position	Beneficial owner	28,104,000	7.03%
Bank of America Corporation	Long position	Interest of a controlled corporation	27,405,404	6.85%
	Short position	Interest of a controlled corporation	27,405,404	6.85%

*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 2020, 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

### SHARE OPTION SCHEME

The Company conditionally adopted a share option scheme (the “**Share Option Scheme**”) on 26 March 2018 which took effect on the 20 April 2018, being the date of listing of the shares of the Company on GEM of the Stock Exchange.

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 dated 29 March 2018.

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 2020.

### INTERESTS IN COMPETING BUSINESS

For the three months ended 30 June 2020, 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

For the three months ended 30 June 2020, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

### 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.

## MANAGEMENT DISCUSSION AND ANALYSIS

Save as disclosed above, the Company has complied with the applicable code provisions of the Code as set out in Appendix 15 to the GEM Listing Rules for the three months ended 30 June 2020.

### COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Group has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules (the “**Standard of Dealings**”), as its own code of conduct regarding Directors’ securities transactions. 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 for the three months ended 30 June 2020.

### INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the three months ended 30 June 2020 (for the three months ended 30 June 2019: 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 2020 and this report have been reviewed by the Audit Committee in a meeting held on 29 July 2020.

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

Hong Kong, 29 July 2020

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