

ZHICHENG

TECHNOLOGY GROUP LTD.

(Incorporated in the Cayman Islands with limited liability)

STOCK CODE : 8511

2021

Third Quarterly Report



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.

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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.ztecgroup.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.*

HIGHLIGHTS

The Company recorded an unaudited revenue of approximately HK\$22.1 million for the nine months ended 31 December 2021, representing an increase of approximately 36.9% 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\$7.0 million for the nine months ended 31 December 2021, compared to the loss of HK\$9.0 million in the corresponding period of the previous year, which was mainly attributed to the increase in gross profit and decrease in administrative expenses.

Basic and diluted losses per share for the nine months ended 31 December 2021 were approximately HK1.75 cents (2020: basic and diluted losses per share approximately HK2.26 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 nine months ended 31 December 2021 (the “Reporting Period”), together with the comparative unaudited figures for the corresponding period of 2020 as follows:

	Notes	For the three months ended 31 December		For the nine months ended 31 December	
		2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Revenue	4	11,156	8,924	22,135	16,163
Cost of sales		(7,487)	(6,514)	(14,756)	(9,947)
Gross profit		3,669	2,410	7,379	6,216
Selling and marketing expenses		(1,636)	(1,804)	(3,987)	(4,176)
Administrative expenses		(5,076)	(7,216)	(10,166)	(13,629)
Other gains – net		558	1,393	360	1,698
Operating loss		(2,485)	(5,217)	(6,414)	(9,891)
Finance (cost)/income – net		2	(20)	3	(17)
Loss before income tax		(2,483)	(5,237)	(6,411)	(9,908)
Income tax expense	5	(365)	485	(585)	861
Loss attributable to:					
Owners of the Company		(2,848)	(4,752)	(6,996)	(9,047)
Other comprehensive income		127	–	127	–
Total comprehensive income attributable to:					
Owners of the Company		(2,721)	(4,752)	(6,869)	(9,047)
Losses per share					
– Basic and diluted (HK cents)	7	(0.71)	(1.19)	(1.75)	(2.26)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital HK\$'000	Share premium HK\$'000	Capital reserve HK\$'000	Exchange reserves HK\$'000	Statutory reserves HK\$'000	Retained earnings HK\$'000	Total HK\$'000
Balance at 1 April 2020 (Audited)	312	51,640	163	(1,908)	2,461	11,244	63,912
Comprehensive income							
– Loss for the period	–	–	–	–	–	(9,047)	(9,047)
Total comprehensive income	–	–	–	–	–	(9,047)	(9,047)
Balance at 31 December 2020 (Unaudited)	312	51,640	163	(1,908)	2,461	2,197	54,865
Balance at 1 April 2021 (Audited)	312	51,640	163	774	2,461	7,905	63,255
Comprehensive income							
– Loss for the period	–	–	–	–	–	(6,996)	(6,996)
– Other comprehensive income for the period	–	–	–	127	–	–	127
Total comprehensive income	–	–	–	127	–	(6,996)	(6,869)
Balance at 31 December 2021 (Unaudited)	312	51,640	163	901	2,461	909	56,386

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 shares of the Company were listed on GEM of The Stock Exchange of Hong Kong Limited (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**”).

The unaudited condensed consolidated financial statements is presented in Hong Kong dollars (“**HK\$**”), rounded to the nearest thousand except for otherwise indicated. The Company’s functional and the Group’s presentation currency are both HK\$.

The condensed consolidated quarterly financial statements have not been audited.

2 BASIS OF PRESENTATION

The Group’s unaudited condensed consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSS**”), which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“**HKAS**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinances. The unaudited condensed consolidated financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

The unaudited condensed consolidated financial statements have been prepared in accordance with the same accounting policies adopted in the 2021 annual financial statements except for the adoption of the standards, amendments and interpretation issued by the HKICPA mandatory for the annual periods beginning on 1 April 2021. The effect of the adoption of these standards, amendments and interpretation is not material on these unaudited condensed consolidated financial statements.

The unaudited condensed consolidated financial statements for the Reporting Period comprises the Company and its subsidiaries.

The measurement basis used in the preparation of the unaudited condensed consolidated financial statements is the historical cost basis.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2 BASIS OF PRESENTATION *(Continued)*

The preparation of unaudited condensed consolidated financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying amounts of assets and liabilities not readily apparent from other sources. Actual results may differ from these estimates.

3 ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS

During the Reporting Period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2021. There has been no significant change to the accounting policy applied in these unaudited condensed consolidated financial statements for the Reporting Period presented as a result of adoption of these amendments.

4 REVENUE

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)	2021 HK\$'000 (Unaudited)	2020 HK\$'000 (Unaudited)
Precision 3D testing solutions				
– Sales of equipment	9,426	8,273	17,164	12,894
– Technical services	1,730	651	4,971	3,269
Total	11,156	8,924	22,135	16,163

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 INCOME TAX EXPENSE

	For the three months ended 31 December		For the nine months ended 31 December	
	2021	2020	2021	2020
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Current income tax				
– PRC corporate income tax	348	(3)	554	13
– Others	17	4	31	31
Deferred income tax	–	(486)	–	(905)
	365	(485)	585	(861)

- (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. In 2020, Quick Tech was continued 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 Reporting Period and the deferred income tax. PRC corporate income tax was about HK\$0.6 million mainly due to Quick Tech with about HK\$3.6 million assessable profit.

- (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 the British Virgin Islands (the “**BVI**”). However, their principal businesses for the Reporting Period were carried out in the PRC (2020: 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 Reporting Period (2020: same).
- (c) The statutory Hong Kong profits tax rate is 16.5%.

For the Reporting Period, Hong Kong Cheng Phong and Bow Chak recorded losses in their financial statements and therefore were not subject to Hong Kong profits tax.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5 INCOME TAX 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.
- (e) The Company's subsidiaries in the BVI were incorporated under the International Business Companies Act of the BVI and are exempted from BVI income tax.

6 DIVIDENDS

The Directors did not recommend the payment of any interim dividend for the Reporting Period (2020: nil).

7 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 nine months ended 31 December 2021 and 2020.

	For the three months ended 31 December		For the nine months ended 31 December	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Loss for the period attributable to owners of the Company <i>(HK\$'000)</i>	(2,848)	(4,752)	(6,996)	(9,047)
Weighted average number of ordinary shares in issue <i>(thousand of shares)</i>	400,000	400,000	400,000	400,000
Basic losses per share <i>(HK cents)</i>	(0.71)	(1.19)	(1.75)	(2.26)

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 Reporting Period (2020: 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 the PRC. 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.

For the Reporting Period, 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, 12 new precision 3D testing projects were obtained, and 12 new projects and 6 existing projects were completed by the Group. Thus, the Group had 3 projects as at 31 December 2021. 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, inter alia, new auxiliary tools design and relevant software applications. As of 31 December 2021, the Group had 16 registered patents, including 6 invention patents and 10 utility model patents as well as 8 pending invention patent registrations.

The smart manufacturing solution market where the Group partakes in features high technological requirements and rapid fresh cycle for technology. To align with the latest and forthcoming technology, the Group continued to strengthen its research and development (“**R&D**”) of advanced solutions and technological applications during the Reporting Period and seek technological cooperation with prestigious colleges and universities proactively as well at the same time. The Group took this opportunity to communicate with existing and potential customers on product application and technology and achieved great success. By virtue of the technological edges of the Group in the industry, the Group will promote the integrated smart manufacturing solutions continually in 2022, understand the industrial evolution and promote the Company’s products by organising seminars and participation in exhibitions.

Looking forward, the Group will organically expand its business, broaden its operation scale and realise its business growth, improving market competitiveness while increasing market share. In addition, the Group will continue to expand its talent pool to recruit professional sales and marketing staff, as well as administrative staff, for future business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Revenue

For the Reporting Period, the Group recorded revenue of approximately HK\$22.1 million, representing an increase of 36.9% comparing with that of approximately HK\$16.2 million for the nine months ended 31 December 2020. Set out below is the revenue breakdown of the Group for the nine months ended 31 December 2021 and 2020:

	For the nine months ended 31 December			
	2021		2020	
	Revenue HK\$'000	% of Revenue (%)	Revenue HK\$'000	% of Revenue (%)
Precision 3D testing solutions				
Static 3D scanning	15,705	71.0	11,327	70.1
Dynamic 3D scanning	6,430	29.0	4,836	29.9
All solutions	22,135	100	16,163	100

Precision 3D testing solutions: Revenue from precision 3D testing solutions increased by 36.9% to approximately HK\$22.1 million for the Reporting Period from approximately HK\$16.2 million for the corresponding period in 2020. This increase was mainly attributable to an increase in the contract value of precision 3D testing solutions project undertaken by the Group. For the Reporting Period, the Company added one new sales contract about HK\$7.3 million.

Cost of sales

Cost of sales increased by 48.3% to approximately HK\$14.8 million for the Reporting Period from approximately HK\$9.9 million for the corresponding period in 2020, mainly due to the increase in equipment costs for the solutions projects. For the Reporting Period, a new project providing intelligent identification was implemented with relatively high equipment costs of about HK\$5.1 million. While for the nine months ended 31 December 2020, no equipment cost was incurred since all the implemented projects were related to provision of technical services.

Gross profit and gross profit margin

As a result of the foregoing, gross profit increased by 18.7% to approximately HK\$7.4 million for the Reporting Period from approximately HK\$6.2 million for the corresponding period in 2020. The gross profit margin decreased to 33.3% for the Reporting Period from 38.5% for the corresponding period in 2020, mainly due to the technical services projects implemented for the nine months ended 31 December 2020 with relatively high gross profit margin. The Directors consider that the gross profit margin has been maintain at a healthy position throughout the Reporting Period.

MANAGEMENT DISCUSSION AND ANALYSIS

Selling and marketing expenses

Selling and marketing expenses remained stable. Selling and marketing expenses decreased by 4.5% to approximately HK\$4.0 million for the Reporting Period from approximately HK\$4.2 million for the corresponding period in 2020.

Administrative expenses

Administrative expenses decreased by 25.4% to approximately HK\$10.2 million for the Reporting Period from approximately HK\$13.6 million for the corresponding period in 2020. The decrease was mainly due to a decrease of R&D expenditure and professional services fee.

Loss for the period

The Company recorded a loss of approximately HK\$7.0 million for the Reporting Period compared to a loss of approximately HK\$9.0 million for the corresponding period in 2020. The decrease in loss was mainly due to an increase in gross profit and a decrease in administrative expenses.

GEARING RATIO

As at 31 December 2021, the Group had a one-year credit loan of approximately HK\$2.4 million from the Industrial and Commercial Bank of China since 26 August 2021 with an annual interest rate of approximately 4.05%. It also had a two-year credit loan of approximately HK\$6.0 million from the Bank of China since 4 January 2021 with an annual interest rate of approximately 3.80%.

The Group monitors capital on the basis of the net gearing ratio. Net gearing ratio represents the ratio of net debts (total borrowings net of cash and cash equivalents and restricted cash) divided by total equity as 31 December 2021 was 7.92% (30 September 2021: 14.28%).

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group practiced prudent financial management during the Reporting Period. As of 31 December 2021, the Group had cash and cash equivalents of approximately HK\$3.4 million (30 September 2021: approximately HK\$2.3 million). The current ratio, being the ratio of current assets to current liabilities, was approximately 2.9 times as at 31 December 2021 (30 September 2021: approximately 4.2 times).

As at 31 December 2021, the Group had total liabilities of approximately HK\$29.8 million (30 September 2021: approximately HK\$21.1 million) which mainly comprise of trade and other payables, contract liabilities, lease liabilities and income tax payable amounting to approximately HK\$21.4 million (30 September 2021: approximately HK\$12.8 million) and bank borrowings of approximately HK\$8.4 million (30 September 2021: approximately \$8.3 million).

MANAGEMENT DISCUSSION AND ANALYSIS

EXCHANGE RATE RISK EXPOSURE

For the operating entities of the Group that were incorporated in Hong Kong and the BVI, 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 US\$. 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 any forward exchange contract to hedge its exposure to foreign exchange risk.

CAPITAL COMMITMENTS

As at 31 December 2021, the Group did not have any capital commitments.

CONTINGENT LIABILITIES

As at 31 December 2021, the Group did not have any significant contingent liabilities.

CHARGES OF GROUP ASSETS

As at 31 December 2021, the Group did not have any pledge on its assets.

SIGNIFICANT INVESTMENTS

As at 31 December 2021, the Group did not hold any significant investments.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2021, the Group did not have any plans for material investments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES AND AFFILIATED COMPANIES

During the Reporting Period, the Group did not have any material acquisitions and disposals of subsidiaries and affiliated companies.

EMPLOYEES AND EMOLUMENT POLICIES

As at 31 December 2021, the Group had a total of 27 (30 September 2021: 22) 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 is given 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 R&D and introduce new solution designs to cater its customers' requirements. Therefore, the Group intends to increase its R&D efforts, establish its own R&D centers, 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 borrowings from financial institutions.

CORPORATE GOVERNANCE AND OTHER INFORMATION

INTERIM DIVIDEND

The Board did not recommend the payment of an interim dividend for the Reporting Period (for the nine months ended 31 December 2020: nil).

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

For the Reporting Period, none of the Company or any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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

As at 31 December 2021, 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 (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to Section 352 of the SFO, to be recorded in the register referred therein; or (c) pursuant to Rules 5.46 to 5.67 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 Director	Nature of interest	Ordinary shares	No. of shares held	Percentage of interest
Mr. Wu Di ("Mr. Wu") (Note 1)	Interest in a controlled corporation	39,600,000	39,600,000	9.90%
Mr. Huang Minzhi ("Mr. Huang") (Note 2)	Interest in a controlled corporation	139,887,000	139,887,000	34.97%

Notes:

- (1) 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.
- (2) The disclosed interest represents the interest in the Company held by Tecway Technology Limited ("Tecway"). The entire issued share capital of Tecway is wholly owned by Mr. Huang. By virtue of the SFO, Mr. Huang is deemed to be interested in the shares held by Tecway.

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Name of Director	Name of associated corporation	Capacity	No. of shares held	Percentage of interest
Mr. Wu	IFG Swans	Beneficial owner	39,600,000	9.90%
Mr. Huang	Tecway	Beneficial owner	139,887,000	34.97%

Save as disclosed above and so far the Directors, as at 31 December 2021, 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.

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

So far as was known to the Directors, as at 31 December 2021, the following persons had, or were deemed to have, interests or short positions in the shares or underlying shares which would fall 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 who were directly or indirectly interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of Substantial Shareholder	Long/short position	Capacity	Number of Shares	Percentage of interest
Tecway	Long position	Beneficial owner	139,887,000	34.97%
Mr. Huang (<i>Note 1</i>)	Long position	Interest in a controlled corporation	139,887,000	34.97%
Zhang Zhilong	Long position	Beneficial owner	63,585,000	15.90%
Theia Vision Capital Limited ("Theia")	Long position	Beneficial owner	50,868,000	12.72%
Ho Chun Kit Gregory (<i>Note 2</i>)	Long position	Interest in a controlled corporation	50,868,000	12.72%
IFG Swans	Long position	Beneficial owner	39,600,000	9.9%

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- 1) Tecway is a company incorporated in the Hong Kong and is wholly-owned by Mr. Huang. Mr. Huang is deemed to be interested in all the Shares held by Tecway for the purpose of the SFO.
- 2) Theia is a company incorporated in the BVI and is wholly-owned by Ho Chun Kit Gregory. Ho Chun Kit Gregory is deemed to be interested in all the Shares held by Theia for the purpose of the SFO.

Save as disclosed above, as at 31 December 2021, 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 20 April 2018, being the date of listing of the shares of the Company on GEM of the Stock Exchange.

No share options have been granted, exercised or cancelled under the Share Option Scheme since its adoption date and up to the date of this quarterly report. The Share Option Scheme will remain in force for a period of 10 years after the date of adoption.

INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors, controlling shareholder 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.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

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

DIRECTORS’ INTEREST IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

There were no other transactions, arrangements or contracts of significance in relation to the Group’s business to which the Company or any of its subsidiaries was a party and in which Directors had a material interest, whether directly or indirectly, subsisted at the end of or at any time during the period under review.

CORPORATE GOVERNANCE AND OTHER INFORMATION

RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as disclosed above, at no time during the Reporting Period and up to the date of this report, have the Directors and the chief executive of the Company and their respective close associates (as defined under the GEM Listing Rules) had any interest in, or had been granted, or exercised any rights to subscribe for shares or underlying shares of the Company and/or its associated corporations (within the meaning of the SFO).

Save as disclosed above in this report, at no time during the Reporting Period and up to the date of this report was the Company, any of its subsidiaries, its associated companies or its holding companies a party to any arrangements to enable the Directors or the chief executive of the Company to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company and/or its associated corporations (within the meaning of the SFO).

SIGNIFICANT EVENTS

Change of Controlling Shareholder and Mandatory Unconditional Cash Offer

On 18 November 2021, Tecway Technology Limited, Zhang Zhilong, Theia Vision Capital Limited (collectively, the **"Purchasers"** or **"Joint Offerors"**), IFG Swans Holding Ltd. (the **"Vendor"**) and Mr. Wu Di (the **"Guarantor"**) entered into the sales and purchase agreement (the **"S&P Agreement"**) pursuant to which the Vendor has agreed to sell and the Purchasers have agreed to acquire a total of 254,340,000 shares (the **"Sale Shares"**) of the Company, representing 63.585% of the issued share capital of the Company as at the date of the S&P Agreement for a total cash consideration of HK\$47,688,750 (equivalent to HK\$0.1875 per Sale Share) (the **"Change of Controlling Shareholder"**). The S&P Agreement was unconditional and completion of the S&P Agreement took place upon the execution of the S&P Agreement on 29 November 2021 (the **"S&P Completion"**). The Vendor and the Guarantor provided the revenue and profit guarantee in favour of the Purchasers under the S&P Agreement.

Immediately before the S&P Completion, the Purchasers and the parties acting in concert with it were not interested in any shares of the Company (the **"Shares"**). Immediately upon the S&P Completion, the Purchasers and the parties acting in concert with it are interested in 254,340,000 Shares, representing 63.585% of the total issued share capital of the Company. Pursuant to Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the **"Takeovers Code"**), the Joint Offerors were therefore required to make a mandatory unconditional cash offer (the **"Offer"** or the **"Mandatory Unconditional Cash Offer"**) for all the issued Shares (other than those already owned or agreed to be acquired by the Offeror and the parties acting in concert with it).

The Offer was made in compliance with the Takeovers Code on the basis of HK\$0.1875 in cash for every Share not already owned by the Joint Offerors and parties acting in concert with it (the **"Offer Shares"**). The price of HK\$0.1875 per Offer Share payable by the Joint Offerors to the shareholders of the Company for each Offer Share accepted under the Offer is the same as the price per Sale Share paid by the Purchaser under the S&P Agreement. The Offer was unconditional in all respects. The Offer was closed on 6 January 2022 and was not revised or extended by the Joint Offerors.

Details of the Change of Controlling Shareholder and Mandatory Unconditional Cash Offer were disclosed in the joint announcements of the Company and the Joint Offerors dated 25 November 2021, 29 November 2021, 16 December 2021 and 6 January 2022, and the composite document issued by the Company and the Joint Offerors dated 16 December 2021.

CORPORATE GOVERNANCE AND OTHER INFORMATION

Appointment of Directors

Due to a change in control of the Company, each of Mr. Huang Minzhi and Mr. Zeng Weijin has been appointed as executive Directors with effect from 16 December 2021.

Pursuant to the articles of association of the Company, all Directors appointed as addition to the existing Board should be subject to re-election by shareholders of the Company at the next following general meeting after appointment. Mr. Huang Minzhi and Mr. Zeng Weijin appointed by the Board with effect from 16 December 2021 shall retire at the forthcoming extraordinary general meeting on 2 March 2022 and be eligible for re-election pursuant to the articles of association of the Company.

Details of the abovementioned appointment of executive Directors were disclosed in the announcement of the Company dated 16 December 2021, and the circular of the Company dated 26 January 2022.

EVENTS AFTER THE REPORTING PERIOD

Sufficiency of Public Float

The Company was not able to satisfy the minimum public float requirement as set out under Rule 11.23(7) of the GEM Listing Rules immediately after the close of the Offer on 6 January 2022 following the acceptance of the Offer in respect of 7,656,000 Shares. The Joint Offerors and the Vendor held an aggregate of 301,596,000 Shares, representing approximately 75.40% of the total issued share capital of the Company immediately after the close of the Offer. A temporary waiver was granted by the Stock Exchange on 17 January 2022 from strict compliance with Rule 11.23(7) of the GEM Listing Rules. For further details, please refer to the announcements of the Company dated 6 January 2022.

Appointment and resignation of Directors

With effect from 7 January 2022, i) each of Mr. Zhou Ruizhao and Ms. Ye Jialing has been appointed as non-executive Directors; ii) each of Dr. Zhou Wenming, Mr. Ning Jie and Mr. Leung Gavin L. has been appointed as independent non-executive Directors; iii) each of Mr. Tang Yong, Mr. Xing Shaonan and Mr. Tan Michael Zhen Shan has resigned as an independent non-executive Directors; and iv) Ms. Liu Zhining has resigned as an executive Director.

Pursuant to the articles of association of the Company, all Directors appointed as addition to the existing Board should be subject to re-election by shareholders of the Company at the next following general meeting after appointment. All the above Directors appointed by the Board with effect from 7 January 2022 shall retire at the forthcoming extraordinary general meeting on 2 March 2022 and be eligible for re-election pursuant to the articles of association of the Company.

Details of the abovementioned appointment of non-executive Directors and independent non-executive Directors were disclosed in the announcement of the Company dated 7 January 2022, and the circular of the Company dated 26 January 2022.

CORPORATE GOVERNANCE AND OTHER INFORMATION

The Proposed Change of Company Name

The Board proposes to change the English name of the Company from “Zhicheng Technology Group Ltd.” to “Min Fu International Holding Limited” and the Chinese name of the Company from “志承科技集團有限公司” to “民富國際控股有限公司” (the “**Proposed Change of Company Name**”). The Proposed Change of Company Name is subject to the fulfilment of the conditions as set out in the paragraph headed “Conditions for the Proposed Change of Company Name” in the announcement of the Company dated 21 January 2022. An extraordinary general meeting of the Company will be convened and held for the purposes of considering and, if thought fit, approving the special resolution in respect of the Proposed Change of Company Name.

Details of the Proposed Change of Company Name were disclosed in the announcement of the Company dated 21 January 2022, and the circular of the Company dated 26 January 2022.

Save as disclosed above, the Directors are not aware of any significant event requiring disclosure that has taken place subsequent to 31 December 2021 and up to the date of this report.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

For the Reporting Period, there had been no contract of significance between the Company or any of its subsidiaries and a controlling Shareholder (as defined in the GEM Listing Rules) or any of their close associates, nor any contract of significance for the provision of services to the Company or any of its subsidiaries by a controlling Shareholder or any of their close associates.

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 Reporting Period.

Pursuant to Rule 5.66 of the GEM Listing Rules, the Directors have also requested any employee of the Company or director or employee of a subsidiary of the Company who, because of his/ her office or employment in the Company or a subsidiary, is likely to possess inside information in relation to the securities of the Company, not to deal in securities of the Company when he/she would be prohibited from dealing by the Standard of Dealings as if he/she was a Director.

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 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’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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

On 7 January 2022, Mr. Wu resigned as the Chairman and chief executive of the Company. Mr. Huang Minzhi and Mr. Zeng Weijin have been appointed as the Chairman and chief executive officer of the Company respectively with effective from 7 January 2022.

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 Reporting Period.

AUDIT COMMITTEE

The Audit Committee has been established with written terms of reference in compliance with Rules 5.28 and 5.29 of the GEM Listing Rules and code provision C.3.3 of the CG Code. The Audit Committee currently comprises three independent non-executive Directors and is chaired by Mr. Leung Gavin L. The other members are Mr. Ning Jie and Dr. Zhou Wenming. All members of the Audit Committee are appointed by the Board.

The primary duties of the Audit Committee are mainly to make recommendations to the Board on the appointment, re-appointment and removal of external auditor, review the unaudited condensed consolidated financial statements and material advice in respect of financial reporting, to oversee financial reporting system, the internal control and risk management systems of the Group and to monitor continuing connected transactions (if any).

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has discussed with the management regarding the auditing and financial reporting matters. The Audit Committee has discussed and reviewed the unaudited financial information and the third quarterly report for the Reporting Period.

APPRECIATION

The Board would like to express its sincere gratitude to the management of the Group and all the staff for their hard work and dedication, as well as its shareholders, business associates and other professional parties for their support throughout the Reporting Period.

By order of the Board
Zhicheng Technology Group Ltd.
Huang Minzhi
Chairman

Hong Kong, 9 February 2022

As at the date of this report, the executive Directors are Mr. Huang Minzhi, Mr. Zeng Weijin and Mr. Wu Di; the non-executive Directors are Mr. Zhou Ruizhao and Ms. Ye Jialing; and the independent non-executive Directors are Mr. Leung Gavin L., Mr. Ning Jie and Dr. Zhou Wenming.