

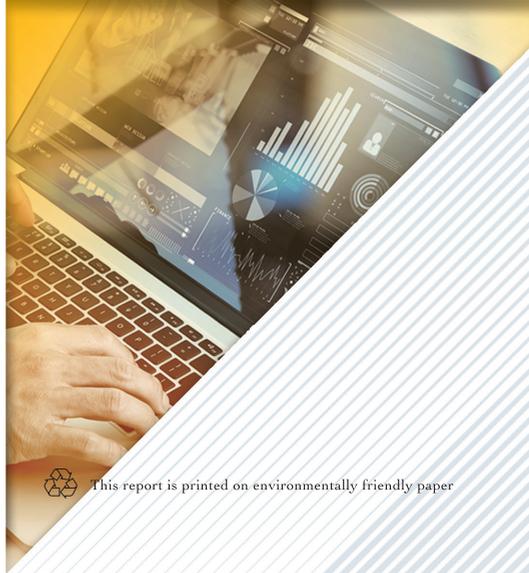
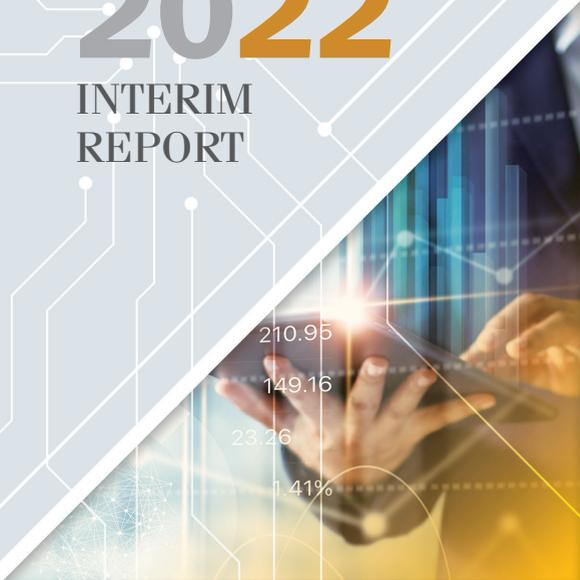
KINGWISOFT TECHNOLOGY GROUP COMPANY LIMITED 金慧科技集團股份有限公司

(formerly known as ZZ Technology Group Company Limited)
(Incorporated in the Cayman Islands with limited liability)

Stock Code : 08295

2022

INTERIM REPORT



This report is printed on environmentally friendly paper

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This report, for which the directors (the “Directors”) of Kingwisoft Technology Group Company Limited 金慧科技集團股份有限公司 (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

- The Group recorded a revenue of approximately RMB457.3 million for the Interim Period 2022 (2021: approximately RMB401.2 million), representing 14.0% increase as compared to that of the corresponding period in 2021.
- Profit attributable to owners of the Company for the Interim Period 2022 was approximately RMB34.9 million (2021: approximately RMB20.2 million), representing 72.7% increase as compared to that of the corresponding period in 2021.
- Basic and diluted earnings per share for the Interim Period 2022 was approximately RMB0.80 cents (2021: approximately RMB0.48 cents).
- Total assets as at 30 September 2022 was approximately RMB1,769.5 million (31 March 2022: RMB1,574.1 million). Net assets value as at 30 September 2022 was approximately RMB1,310.6 million (31 March 2022: RMB1,091.3 million).
- The Board does not recommend payment of an interim dividend for the Interim Period 2022 (2021: Nil).

Condensed Consolidated Statement of Profit Or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2022

The board (the "Board") of directors (the "Directors") of Kingwisoft Technology Group Company Limited 金慧科技集團股份有限公司 (the "Company") is pleased to present the condensed consolidated results of the Company and its subsidiaries (collectively, the "Group") for the three months ended 30 September 2022 (the "Second Quarter Fiscal 2022") and six months ended 30 September 2022 (the "Interim Period 2022"), together with the comparative unaudited figures for the corresponding periods in 2021, as follows:

Condensed Consolidated Statement of Profit Or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2022

	Notes	Three months ended 30 September		Six months ended 30 September	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited and re-presented)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited and re-presented)
Continuing operations					
Revenue	4	234,472	217,015	457,337	401,193
Cost of services		(204,209)	(171,539)	(389,133)	(313,506)
Gross profit		30,263	45,476	68,204	87,687
Other income and losses, net	5	26,828	3,972	29,613	8,752
Marketing expenses		(1,347)	(2,539)	(2,395)	(5,187)
Research and development expenses		(8,000)	(7,098)	(14,748)	(13,113)
Administrative expenses		(18,151)	(22,830)	(34,725)	(43,612)
Provision of expected credit loss on accounts and other receivables, net		(864)	(296)	(864)	(296)
Finance costs	6	(6,536)	(4,157)	(11,696)	(7,482)
Share of result of an associate		(1)	13	(12)	13
Profit before tax	7	22,192	12,541	33,377	26,762
Income tax credit/(expenses)	8	(846)	(3,464)	838	(9,020)
Profit for the period from continuing operations		21,346	9,077	34,215	17,742
Discontinued operations					
Loss for the period from discontinued operations		-	(127)	-	(1,023)
Profit for the period		21,346	8,950	34,215	16,719
Other comprehensive income/(loss)					
Items that may be subsequently reclassified to profit or loss: Exchange differences arising on translation of foreign operations		675	177	4,473	(2,818)
Total comprehensive income for the period		22,021	9,127	38,688	13,901

Condensed Consolidated Statement of Profit Or Loss and Other Comprehensive Income

For the three months and six months ended 30 September 2022

Notes	Three months ended 30 September 2022		Six months ended 30 September 2022			
	RMB'000 (Unaudited)	2021 RMB'000 (Unaudited and re-presented)	RMB'000 (Unaudited)	2021 RMB'000 (Unaudited and re-presented)		
Profit for the period attributable to:						
Owners of the Company						
	arises from continuing operations	22,374	10,583	34,884	21,220	
	arises from discontinued operations	–	(127)	–	(1,023)	
		22,374	10,456	34,884	20,197	
Non-controlling interests						
	arises from continuing operations	(1,028)	(1,506)	(669)	(3,478)	
	arises from discontinued operations	–	–	–	–	
		(1,028)	(1,506)	(669)	(3,478)	
		21,346	8,950	34,215	16,719	
Total comprehensive income attributable to:						
Owners of the Company						
	arises from continuing operations	23,049	10,886	39,357	18,191	
	arises from discontinued operations	–	(253)	–	(812)	
		23,049	10,633	39,357	17,379	
Non-controlling interests						
	arises from continuing operations	(1,028)	(1,506)	(669)	(3,478)	
	arises from discontinued operations	–	–	–	–	
		(1,028)	(1,506)	(669)	(3,478)	
		22,021	9,127	38,688	13,901	
Earnings per share attributable to owners of the Company						
Continuing operations						
	— Basic and diluted (RMB cents)	9	0.49	0.25	0.80	0.50
Discontinued operations						
	— Basic and diluted (RMB cents)	9	–	–	–	(0.02)
	Earnings per share for the period	0.49	0.25	0.80	0.48	

Condensed Consolidated Statement of Financial Position

As at 30 September 2022

	Notes	30 September 2022 RMB'000 (Unaudited)	31 March 2022 RMB'000 (Audited)
Non-current assets			
Property and equipment	11	70,685	70,501
Intangible assets		182,664	184,076
Goodwill		586,618	581,824
Right-of-use assets		47,334	42,370
Deferred tax assets		6,401	6,917
Equity instrument at fair value through other comprehensive income ("FVTOCI")		15,564	15,564
Deposits		812	672
Interest in an associate		–	5,983
Total non-current assets		910,078	907,907
Current assets			
Inventories		1,339	1,377
Accounts receivable	12	529,463	485,259
Prepayments, deposits and other receivables	13	103,893	88,630
Financial assets at fair value through profit or loss ("FVTPL")	14	5,327	4,880
Bank balances and cash		219,365	86,047
Total current assets		859,387	666,193
Current liabilities			
Accounts payable	15	11,808	11,346
Other payables and accruals	16	47,042	54,157
Contract liabilities		13,170	8,619
Bank and other borrowings		188,480	140,779
Tax payables		1,514	8,304
Consideration payables		70,000	70,000
Lease liabilities		23,511	20,962
Total current liabilities		355,525	314,167

Condensed Consolidated Statement of Financial Position

As at 30 September 2022

	Notes	30 September 2022 RMB'000 (Unaudited)	31 March 2022 RMB'000 (Audited)
Net current assets		503,862	352,026
Total assets less current liabilities		1,413,940	1,259,933
Non-current liabilities			
Consideration payables		63,046	129,499
Deferred tax liabilities		19,883	21,195
Lease liabilities		20,386	17,986
Total non-current liabilities		103,315	168,680
Net assets		1,310,625	1,091,253
Capital and reserves			
Share capital	17	40,442	35,395
Reserves		1,255,283	1,035,710
Equity attributable to owners of the Company		1,295,725	1,071,105
Non-controlling interests		14,900	20,148
Total equity		1,310,625	1,091,253

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2022

	Share capital	Share premium	Contributed surplus	Statutory reserve	Revaluation reserve	Translation reserve	Retained profits/ Accumulated losses)	Sub-total	Non- controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At 1 April 2022	35,395	944,878	-	12,876	(3,235)	19,328	61,863	1,071,105	20,148	1,091,253
Profit for the period	-	-	-	-	-	-	34,884	34,884	(669)	34,215
Other comprehensive income for the period	-	-	-	-	-	4,473	-	4,473	-	4,473
Total comprehensive income for the period	-	-	-	-	-	4,473	34,884	39,357	(669)	38,688
Issue of new shares (net of transaction costs)	5,047	180,637	-	-	-	-	-	185,684	-	185,684
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(421)	(421)	(4,579)	(5,000)
At 30 September 2022	40,442	1,125,515	-	12,876	(3,235)	23,801	96,326	1,295,725	14,900	1,310,625
At 1 April 2021	35,395	944,878	7,944	7,740	(3,235)	28,477	(21,295)	999,904	15,727	1,015,631
Profit for the period	-	-	-	-	-	-	20,197	20,197	(3,478)	16,719
Other comprehensive loss for the period	-	-	-	-	-	(2,818)	-	(2,818)	-	(2,818)
Total comprehensive income for the period	-	-	-	-	-	(2,818)	20,197	17,379	(3,478)	13,901
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	900	900
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(5,716)	(5,716)
At 30 September 2021	35,395	944,878	7,944	7,740	(3,235)	25,659	(1,098)	1,017,283	7,433	1,024,716

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2022

	Six months ended 30 September 2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
NET CASH FROM (USED IN) OPERATING ACTIVITIES	12	(39,274)
INVESTING ACTIVITIES		
Purchase of plant and equipment	(9,982)	(25,060)
Development costs paid	(10,505)	(10,755)
Interest received	1,240	647
Dividend income received	67	49
Payment of consideration payables	(70,000)	(70,000)
Acquisition of subsidiaries, net of cash acquired	5,032	725
Acquisition of additional interests in subsidiaries	(5,000)	–
Acquisition of an associate	–	(6,000)
Proceeds from disposal of an associate	6,720	–
NET CASH USED IN INVESTING ACTIVITIES	(82,428)	(110,394)
FINANCING ACTIVITIES		
Finance costs paid	(1,440)	(1,444)
Repayment of lease liabilities	(13,828)	(6,760)
Advance from related company	70,000	60,000
New bank borrowings	–	5,500
Repayment of borrowings	(29,000)	–
Proceeds from issue of new shares (net of transaction costs)	185,684	–
Capital contribution from non-controlling interest	–	900
CASH FROM FINANCING ACTIVITIES	211,416	58,196
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	129,000	(91,472)
Cash and cash equivalents at 1 April	86,047	198,209
Effect of exchange rates changes on cash and cash equivalents, net	4,318	(11,061)
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	219,365	95,676
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Bank balances and cash as stated in the condensed consolidated statement of cash flows	219,365	95,676
Restricted bank balances	–	4,442
Cash and cash equivalents classified as assets held-for-sale	–	(9,037)
Bank balances and cash as stated in the condensed consolidated statement of financial position	219,365	91,081

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

1. CORPORATE INFORMATION

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961 as consolidated and revised) of the Cayman Islands. The registered address and principal place of business of the Company is P.O. Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands and Room 1204, 12/F, Lee Garden One, 33 Hysan Avenue, Causeway Bay, Hong Kong respectively. The shares of the Company are listed on the GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. Its subsidiaries are principally engaged in investment holding, provision of back-office services (primarily provision of customer service solutions, and setting up of contact service systems and centres), comprehensive marketing services and data centre services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the six months ended 30 September 2022 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standards 34 ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the "GEM Listing Rules").

The functional currency of the Company, which is also the presentation currency of the Group's Interim Financial Statements, is Renminbi ("RMB").

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

3. PRINCIPAL ACCOUNTING POLICIES

The Interim Financial Statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than additional accounting policies resulting from application of new/amended Hong Kong Financial Reporting Standards (“HKFRS”), the accounting policies and methods of computation used in the Interim Financial Statements are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2022 (“Annual Financial Statements”). However, the Interim Financial Statements do not include all of the information required for Annual Financial Statements and they should be read in conjunction with the Annual Financial Statements.

Application of new/amended HKFRSs

In the current interim period, the Group has applied the following new/amended HKFRSs issued by the HKICPA, for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the Group’s Interim Financial Statements:

Amendments to HKFRS 3	Reference to Conceptual Framework
Amendments to HKAS 16	Property, plant and equipment: Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendment to HKFRSs	Annual improvement to HKFRSs 2018–2021 cycle

The application of new/amended HKFRSs in the current period has had no material impact on the Group’s financial positions and performance for the current and prior periods and/or on the disclosures set out in these Interim Financial Statements.

4. REVENUE AND SEGMENT INFORMATION

The executive directors have been identified as the chief operating decision-maker (“CODM”), responsible for making strategic decisions, allocating resources and assessing performance of the operating segments. The reportable operating segments and their results are as below:

- provision of value-added telecommunications and related services (including back-office services, comprehensive marketing services and data centre services); and
- provision of financial services (including corporate advisory service)

As set out in the Group’s audited annual financial statements for the year ended 31 March 2022, the Group no longer carries on the business of financial services segment. The results of the financial services segment have been classified as discontinued operations of the Group for the three and six months ended 30 September 2021.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

An analysis of the Group's revenue from major services are as follow:

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Value-added telecommunication and related services:				
— Back-office services				
• Provision of customer service solutions [#]	197,926	162,288	375,797	306,465
• Setting up of contact service systems and centres [#]	150	96	277	399
	198,076	162,384	376,074	306,864
— Comprehensive marketing services [#]	29,953	49,549	68,686	84,802
— Data centre services [#]	6,443	5,082	12,577	9,527
	234,472	217,015	457,337	401,193
Discontinued operations				
Financial Services:				
— Corporate advisory services [#]	—	—	—	83
— Loan interest income ^{##}	—	306	—	601
Total	234,472	217,321	457,337	401,877
[#] Revenue from contracts with customers	234,472	217,015	457,337	401,276
^{##} Revenue from other sources	—	306	—	601
	234,472	217,321	457,337	401,877

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

Timing of revenue recognition

	Continuing operations		Discontinued operations		Total	
	Value-added telecommunication and related services	Financial services	Value-added telecommunication and related services	Financial services	Value-added telecommunication and related services	Financial services
	Three months ended 30 September		Three months ended 30 September		Three months ended 30 September	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At a point in time	150	96	-	-	150	96
Over time	234,322	216,919	-	-	234,322	216,919
	234,472	217,015	-	-	234,472	217,015
	Value-added telecommunication and related services		Financial services		Total	
	Six months ended 30 September		Six months ended 30 September		Six months ended 30 September	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At a point in time	277	399	-	83	277	482
Over time	457,060	400,794	-	-	457,060	400,794
	457,337	401,193	-	83	457,337	401,276

No other analysis of the Group's segment assets and liabilities is presented as the information is not regularly provided to the CODM for review.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

Revenue by geographical location

	Three months ended 30 September		Six months ended 30 September	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
Continuing operations				
The People's Republic of China (the "PRC")	234,472	217,015	457,337	401,193
Discontinued operations				
Hong Kong	-	-	-	83
The United States of America (the "USA")	-	306	-	601
	234,472	217,321	457,337	401,877

The revenue information above is based on the location of the customers.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment results

For the three months ended 30 September 2022

	Continuing operations		Total RMB'000 (Unaudited)
	Value-added telecommunication and related services RMB'000 (Unaudited)	Corporate RMB'000 (Unaudited)	
Revenue	234,472	-	234,472
Gross profit	30,263	-	30,263
Other income and losses, net	21,222	5,606	26,828
Marketing expenses	(1,347)	-	(1,347)
Research and development expenses	(8,000)	-	(8,000)
Administrative expenses	(11,873)	(6,278)	(18,151)
Provision of expected credit loss on accounts and other receivables, net	(864)	-	(864)
Finance costs	(2,757)	(3,779)	(6,536)
Share of result of an associate	(1)	-	(1)
Profit/(loss) before tax	26,643	(4,451)	22,192

For the three months ended 30 September 2021

	Continuing operations		Discontinued operations	Total RMB'000 (Unaudited)
	Value-added telecommunication and related services RMB'000 (Unaudited)	Corporate RMB'000 (Unaudited)	Financial services RMB'000 (Unaudited)	
Revenue	217,015	-	306	217,321
Gross profit	45,476	-	306	45,782
Other income and losses, net	4,204	(232)	-	3,972
Marketing expenses	(2,539)	-	-	(2,539)
Research and development expenses	(7,098)	-	-	(7,098)
Administrative expenses	(12,528)	(10,302)	(433)	(23,263)
Provision of expected credit loss on accounts and other receivables, net	(296)	-	-	(296)
Finance costs	(1,984)	(2,173)	-	(4,157)
Share of result of an associate	13	-	-	13
Profit/(loss) before tax	25,248	(12,707)	(127)	12,414

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

4. REVENUE AND SEGMENT INFORMATION (Continued)

Segment results (Continued)

For the six months ended 30 September 2022

	Continuing operations		Total RMB'000 (Unaudited)
	Value-added telecommunication and related services RMB'000 (Unaudited)	Corporate RMB'000 (Unaudited)	
Revenue	457,337	-	457,337
Gross profit	68,204	-	68,204
Other income and losses, net	27,277	2,336	29,613
Marketing expenses	(2,395)	-	(2,395)
Research and development expenses	(14,748)	-	(14,748)
Administrative expenses	(22,134)	(12,591)	(34,725)
Provision of expected credit loss on accounts and other receivables, net	(864)	-	(864)
Finance costs	(5,552)	(6,144)	(11,696)
Share of result of an associate	(12)	-	(12)
Profit/(loss) before tax	49,776	(16,399)	33,377

For the six months ended 30 September 2021

	Continuing operations		Discontinued operations	Total RMB'000 (Unaudited)
	Value-added telecommunication and related services RMB'000 (Unaudited)	Corporate RMB'000 (Unaudited)	Financial services RMB'000 (Unaudited)	
Revenue	401,193	-	684	401,877
Gross profit	87,687	-	684	88,371
Other income and losses, net	7,419	1,333	-	8,752
Marketing expenses	(5,187)	-	-	(5,187)
Research and development expenses	(13,113)	-	-	(13,113)
Administrative expenses	(25,803)	(17,809)	(1,707)	(45,319)
Provision of expected credit loss on accounts and other receivables, net	(296)	-	-	(296)
Finance costs	(2,681)	(4,801)	-	(7,482)
Share of result of an associate	13	-	-	13
Profit/(loss) before tax	48,039	(21,277)	(1,023)	25,739

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

5. OTHER INCOME AND LOSSES, NET

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited and re-presented)	(Unaudited)	(Unaudited and re-presented)
Continuing operations				
Net fair value (loss)/gain on financial assets				
at FVTPL	(633)	25	(941)	574
Dividend income	67	49	67	49
Interest income from financial assets				
at amortised cost				
— Bank deposits	279	150	451	632
Interest income from financial assets				
at FVTPL				
— Structured deposit	—	—	—	15
Interest income from former subsidiaries	383	—	789	—
Gain/(loss) on exchange difference	6,265	(325)	3,473	405
Government grants and subsidies	1,298	2,993	4,921	4,375
Value-Add Tax (“VAT”) refund	150	(7)	152	14
Gain on disposal of an associate	1,653	—	1,653	—
Gain from derecognition of financial				
liabilities measured at amortised costs	15,508	—	15,508	—
Others	1,858	1,087	3,540	2,688
Total	26,828	3,972	29,613	8,752

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

6. FINANCE COSTS

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Interest on bank borrowings	228	335	532	741
Interest on other borrowings from a related company	4,273	1,257	6,709	1,257
Interest on lease liabilities	488	399	908	703
Interest on consideration payable	1,547	2,166	3,547	4,781
	6,536	4,157	11,696	7,482

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Three months ended 30 September		Six months ended 30 September	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited and re-presented)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited and re-presented)
Continuing operations				
Directors' and chief executives' emoluments	1,461	1,235	3,191	2,630
Employee benefit expenses (excluding directors' and chief executives' emoluments)				
— Salaries and other benefits	119,904	86,564	225,780	162,967
— Amount capitalised	(2,557)	(2,134)	(5,109)	(4,281)
	118,808	85,665	223,862	161,316
Discontinued operations				
Employee benefit expenses (excluding directors' and chief executives' emoluments)				
— Salaries and other benefits	—	275	—	1,052
	118,808	85,940	223,862	162,368
Continuing operations				
Legal and professional fees	1,560	1,785	3,083	2,409
Depreciation of property and equipment	5,847	9,521	11,350	10,867
Depreciation of right-of-use assets	8,351	7,230	15,725	13,791
Amortisation of intangible assets	6,079	5,561	11,917	10,903
Discontinued operations				
Legal and professional fees	—	91	—	137
Depreciation of property and equipment	—	13	—	34

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

8. INCOME TAX CREDIT/(EXPENSES)

	Three months ended		Six months ended	
	30 September		30 September	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Continuing operations				
Current tax				
PRC Enterprise Income Tax	(867)	(3,304)	(2,742)	(9,266)
Over provision in prior period	154	–	2,789	–
Deferred tax	(133)	(160)	791	246
Income tax credit/(expenses)	(846)	(3,464)	838	(9,020)

The basic tax rate of the Group's PRC subsidiaries is 25% under the law of the PRC on Enterprise Income Tax (the "EIT Law") and implementation regulations of the EIT Law. For the current period, certain subsidiaries of the Group qualified as advanced technology enterprises and have obtained approvals from the relevant tax authorities for the reduction of the applicable tax rate to 15%.

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax rates regime, the first HK\$2 million of profits of the qualifying group entity will be taxed at 8.25%, and profits above HK\$2 million will be taxed at 16.5%. The profits of group entities not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%. The Directors considered the amount involved upon implementation of the two-tiered profits tax rates regime as insignificant to the consolidated financial statements. Hong Kong profits tax is calculated at 16.5% of the estimated assessable profit for both periods.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

	Three months ended 30 September		Six months ended 30 September	
	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited and re-presented)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited and re-presented)
Earnings:				
Profit for the period attributable to owners of the Company arises from				
— Continuing operations	22,374	10,583	34,884	21,220
— Discontinued operations	—	(127)	—	(1,023)
	22,374	10,456	34,884	20,197
	Three months ended 30 September		Six months ended 30 September	
	2022 '000	2021 '000	2022 '000	2021 '000
Number of shares:				
Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings per share	4,571,672	4,188,520	4,381,143	4,188,520

Diluted earnings per share amount was same as basic earnings per share amount as there were no potential dilutive ordinary shares outstanding for both periods.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

10. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2022 (2021: Nil).

11. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2022, the Group acquired items of property and equipment with a cost of approximately RMB9,982,000 (2021: RMB25,060,000).

12. ACCOUNTS RECEIVABLE

	At 30 September 2022 RMB'000 (Unaudited)	At 31 March 2022 RMB'000 (Audited)
Accounts receivable	532,254	488,330
Less: Allowance for expected credit losses	(2,791)	(3,071)
	529,463	485,259

The Group allows a credit period of 3 to 6 months to its customers. The directors of the Company are in the view that there have been no significant increase in credit risk of default because the amounts are from customers with good credit rating and continuous repayment. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically.

The Group does not hold any collateral or credit enhancements over these balances.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

12. ACCOUNTS RECEIVABLE (Continued)

The following is an aged analysis of accounts receivable, presented based on the date of services rendered at the end of each reporting period.

	At 30 September 2022 RMB'000 (Unaudited)	At 31 March 2022 RMB'000 (Audited)
0–60 days	178,734	185,244
61–120 days	84,327	121,507
121–180 days	60,096	51,909
Over 180 days	206,306	126,599
	529,463	485,259

13. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	At 30 September 2022 RMB'000 (Unaudited)	At 31 March 2022 RMB'000 (Audited)
Prepayments	43,509	22,078
Due from former subsidiaries	32,222	33,625
Deposits and other receivables	39,090	42,711
Less: Allowance for expected credit losses	(10,928)	(9,784)
	103,893	88,630

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

14. FINANCIAL ASSETS AT FVTPL

	At 30 September 2022 RMB'000 (Unaudited)	At 31 March 2022 RMB'000 (Audited)
Listed securities investments	4,127	4,580
Unlisted equity investments	1,200	300
	5,327	4,880

The listed securities investments include listed securities in Hong Kong of RMB1,161,000 (31 March 2022: RMB1,804,000) and listed securities in the USA of RMB2,966,000 (31 March 2022: RMB2,776,000), which are level 1 financial instruments and the fair value are based on the quoted bid prices in an active market. There are no significant unobservable inputs. The unlisted equity investments, which are held for sales purpose, are level 3 financial instruments.

15. ACCOUNTS PAYABLE

	At 30 September 2022 RMB'000 (Unaudited)	At 31 March 2022 RMB'000 (Audited)
Accounts payable	11,808	11,346

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

15. ACCOUNTS PAYABLE (Continued)

The ageing analysis of the accounts payable based on date of services rendered at the end of each reporting period is as follows:

	At 30 September 2022 RMB'000 (Unaudited)	At 31 March 2022 RMB'000 (Audited)
0–60 days	7,566	7,657
61–120 days	577	548
121–180 days	588	285
Over 180 days	3,077	2,856
	11,808	11,346

The average credit period on accounts payable is 90 days.

16. OTHER PAYABLES AND ACCRUALS

	At 30 September 2022 RMB'000 (Unaudited)	At 31 March 2022 RMB'000 (Audited)
Other payables	1,161	7,737
Payroll payables	42,141	44,081
Other tax payables	3,740	2,339
	47,042	54,157

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

17. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of HK\$0.01 each		
Authorised:		
As at 1 April 2021, 30 September 2021, 1 April 2022 and 30 September 2022	10,000,000,000	87,661
Issued and fully paid:		
As at 1 April 2021, 30 September 2021 and 1 April 2022	4,188,519,590	35,395
Share issued (<i>Note</i>)	587,500,000	5,047
As at 30 September 2022	4,776,019,590	40,442

Note: On 15 July 2022 (after trading hours), the Company entered into the subscription agreements with the subscribers pursuant to which the subscribers have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 587,500,000 subscription shares at a price of HK\$0.4 per subscription share. The completion of this transaction took place on 2 August 2022.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

18. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in Note 6 to the Interim Financial Statements, the Group had the following transactions and balances with related parties:

(a) Compensation of key management personnel of the Group:

The directors and chief executives of the Company are the key management personnel of the Group. Details of their remuneration are disclosed in Note 7 to the Interim Financial Statements.

(b) Borrowings from a related company

As at 30 September 2022, the carrying amount of the other borrowings from a related company of the Company amounted to approximately RMB168,980,000 (31 March 2022: approximately RMB92,279,000).

19. FAIR VALUE OF MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The information about how the fair value of these financial assets are determined (in particular, the valuation techniques and inputs used) are disclosed in respective notes to the Annual Financial Statements.

The Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed statement of financial position approximate their fair value.

During the six months ended 30 September 2022 and year ended 31 March 2022, there were no transfers between Level 1, Level 2 and Level 3.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2022

19. FAIR VALUE OF MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Continued)

Fair value hierarchy as at 30 September 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at FVTPL	4,127	–	1,200	5,327
Unquoted equity instrument at FVTOCI	–	–	15,564	15,564
	4,127	–	16,764	20,891

Fair value hierarchy as at 31 March 2022

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
Financial assets				
Financial assets at FVTPL	4,580	–	300	4,880
Unquoted equity instrument at FVTOCI	–	–	15,564	15,564
	4,580	–	15,864	20,444

20. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 8 November 2022.

Management Discussion and Analysis

BUSINESS REVIEW

External environment remained complex and severe during the Interim Period 2022, but China's economy was recovering. However, the recurrence of COVID-19 led to certain fluctuations in economic operations. We always focused on improving customer satisfaction and ensured sound and sustainable business development, actively faced and adapted to the severe market environment, concentrated on the key strategic areas of corporate services, consolidated the leading edge, and closely cooperated with customers, and followed the government's anti-pandemic requirements. Through a variety of positive and effective measures, such as anti-pandemic moves in the workplace, flexible working arrangements (including working from home), and business interoperability in multi-location workplace, the Group has always maintained the smooth operation of the businesses.

Revenue and profit from our principal businesses showed a good growth trend during the Interim Period 2022. The Group posted revenue of approximately RMB457.3 million for the Interim Period 2022, a year-on-year increase of 14.0%. Its back-office services made steady progress, further consolidating its leading position in the Internet, operator and other advantageous fields. Revenue in back-office services amounted to approximately RMB376.1 million, accounting for 82.2% of the total revenue.

During the Interim Period 2022, the Group's top ten customers remained basically stable. It maintained stable and rising business relations with various customers who were in the leading position in the fields of Internet mobility, financial securities, e-commerce, community group buying and so on. In addition, in terms of new customer acquisition and new business development, the Group was deeply committed to the industry-wide incremental market. During the exploration to realise the integration of the brand and effects, it began to develop livestreaming and local lifestyle operation businesses while expanding the information flow advertising optimisation service. The Group acquired several new customers in Internet marketing services, among which one professional private brand operating firm became one of top ten customers.

The Group, which has always adhered to independent innovation and research and development, focused on the innovation in artificial intelligence and big data technology and their integration and application in business scenarios, with positive results achieved. The Group's subsidiaries, Shenzhen Kingwisoft Data Service Co., Ltd.* (深圳市金慧融智數據服務有限公司), Qingdao Nanyou Information Technology Co., Ltd.* (青島南郵信息技術有限公司) and Dalian Kingwisoft Network Service Outsourcing Co., Ltd.* (大連金慧融智網絡服務外包有限公司), were selected as small and medium-sized high-tech enterprises during the Interim Period 2022. It received 46 new software copyrights in relation to the Group's businesses, increasing the number of its patents for inventions and software copyrights to 2 and 209 respectively. Arrangements were made to develop brand and effectiveness tools in the field of digital marketing.

* For identification purposes only

Management Discussion and Analysis

Moreover, the Group built self-operated contact service centres in Pingxiang and Longyan during the Interim Period 2022 and expanded such centres in Dalian, Puyang, Shenyang, etc. The number of established workstations in 27 self-operated contact service centres has grown to 13,110.

FINANCIAL REVIEW

The Group recorded a revenue of approximately RMB457.3 million for the Interim Period 2022 (2021: approximately RMB401.2 million), representing 14.0% increase as compared to that of the corresponding period in 2021. The increase in revenue was mainly attributable to the increase in revenue generated from back-office services.

During the Interim Period 2022, the Group incurred cost of services of approximately RMB389.1 million (2021: approximately RMB313.5 million). Cost of services primarily consisted of staff costs, subcontracting fees, depreciation and amortisation. The increase was mainly attributable to the increases in the abovementioned major expenses components.

Net other income for the Interim Period 2022 was approximately RMB29.6 million (2021: approximately RMB8.8 million). The increase was mainly attributable to recognition of a gain from derecognition of financial liabilities measured at amortised costs of approximately RMB15.5 million and gain on disposal of an associate of approximately RMB1.7 million during the Interim Period 2022 as well as the increase in exchange gain of approximately RMB3.1 million as compared to that of the corresponding period in 2021.

The Group incurred marketing, research and development expenses of approximately RMB17.1 million (2021: approximately RMB18.3 million) in aggregate during the Interim Period 2022.

Administrative expenses for the Interim Period 2022 reduced to approximately RMB34.7 million (2021: approximately RMB43.6 million) which was mainly attributable to the decrease in staff costs.

During the Interim Period 2022, the Group incurred finance costs of approximately RMB11.7 million (2021: approximately RMB7.5 million) which mainly consisted of interests on consideration payable arising from the acquisition of KingNine Holdings Limited, bank and other borrowings and lease liabilities.

The Group recorded an income tax credit for the Interim Period 2022 of approximately RMB0.8 million (2021: income tax expenses of approximately RMB9.0 million) which mainly consisted of provision of PRC Enterprise Income Tax of approximately RMB2.7 million (2021: approximately RMB9.3 million), offset by an overprovision in prior period of approximately RMB2.7 million (2021: Nil) and deferred tax credit of approximately RMB0.8 million (2021: approximately RMB0.3 million).

Management Discussion and Analysis

Profit attributable to owners of the Company for the Interim Period 2022 was approximately RMB34.9 million (2021: approximately RMB20.2 million), representing 72.7% increase as compared to that of the corresponding period in 2021.

Basic and diluted earnings per share for the Interim Period 2022 was approximately RMB0.80 cents (2021: approximately RMB0.48 cents).

Net assets value as at 30 September 2022 was approximately RMB1,310.6 million (31 March 2022: approximately RMB1,091.3 million). The increase in net assets value was mainly attributable to the net proceeds from the issue of new shares of approximately RMB185.7 million and profit generated during the Interim Period 2022. On the other hand, during the Second Quarter Fiscal 2022, the Group had settled the payment of tranche III cash consideration in the amount of RMB70 million for the acquisition of KingNine Holdings Limited which reduced both assets and liabilities by the same amount of the payment. As a result, the Group's total assets as at 30 September 2022 increased by approximately RMB195.4 million to approximately RMB1,769.5 million as compared with approximately RMB1,574.1 million as at 31 March 2022, while the total liabilities of the Group as at 30 September 2022 decreased by approximately RMB24.0 million to approximately RMB458.8 million as compared with approximately RMB482.8 million as at 31 March 2022.

Liquidity and financial resources

As at 30 September 2022, the Group had a current ratio of 2.4 and a gearing ratio of 14.4% (31 March 2022: 2.1 and 12.9%, respectively). The gearing ratio is computed by dividing the Group's bank and other borrowings of approximately RMB188.5 million by the Group's equity of approximately RMB1,310.6 million. The Group's operation and investments were financed by internal resources and borrowings.

For foreign currency risk, the Group will continue to monitor its foreign currency exposure and will consider using hedging instruments if available in respect of significant foreign currency exposure should the need arise.

Capital structure

During the Interim Period 2022, the Company issued a total of 587,500,000 subscription shares at a price of HK\$0.4 per subscription share. The net proceeds arising from the subscriptions, after deducting the relevant expenses incidental to the subscriptions, amounted to approximately RMB185.7 million.

Save for the above, there has been no material change in the Group's capital structure as compared to the most recently published annual report.

Management Discussion and Analysis

Commitments

The Group and the Company did not have any significant commitment as at 30 September 2022 and 31 March 2022.

Employees and remuneration policies

As of 30 September 2022, the Group employed 8,652 employees including Directors (31 March 2022: 7,351). Total staff costs (including Directors' emoluments) for the Interim Period 2022 amounted to approximately RMB229.0 million (2021: approximately RMB166.6 million). Employees' remuneration packages are decided based on their job responsibilities, local market benchmarks and industry trends. Employee discretionary bonus is distributable according to the performance of the respective subsidiaries and employees concerned.

Charge on the Group's assets

There was no material change in charge on the Group's assets as compared to the most recently published annual report.

Contingent liabilities

As at 30 September 2022, the Group had no material contingent liabilities (31 March 2022: Nil).

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group had no material acquisitions and disposals of subsidiaries and affiliated companies during the Interim Period 2022.

Future plans for material investments or capital assets

The Group will focus on premium corporate clients in the Internet and finance sectors to diversify its categories of services and strengthen our customers' stickness, which in turn help the Group to generate economics of scale and gain more market share.

The Group will look into our business development and consider acquiring or investing in relevant assets which form synergistic effects with our principal business as and when appropriate. Through the acquisition and investment, the Group can expand its services categories and premium customer base and strengthen our capability in research and development, which in turn identify and meet demands from customers in a view to raise our core competitiveness and profitability.

Management Discussion and Analysis

OUTLOOK

With the efficient coordination of COVID-19 prevention and control with economic and social development, a series of solid economic policies have achieved remarkable results. The Chinese economy has overcome the adverse impact of unexpected factors, demonstrating the momentum of a stable recovery. The national economy is expected to keep picking up and maintain within a reasonable range. The economy was sizable, with clear superiorities in solid material base accumulated over time and super large market. At the policy level, there was sufficient support to promote consumption and stabilise prices. At the same time, policies were unveiled to further restore and activate consumer scenarios, and new scenarios were created through digital empowerment and the integration of business, tourism, culture and sports.

As KingNine Group's major customers are players in the financial securities, operators and Internet sectors, these sectors will quickly turn around with the continuous economic recovery and gradual rise in new endogenous momentum. In the meantime, the profound impact of the pandemic on people's education, mobility and shopping will further promote the booming development of enterprises in the Internet industry, which is expected to bring more opportunities for rapid growth to the businesses of KingNine Group.

We will keep a close eye on the impact of macro policies on the businesses of our customers, and stay in close communication with customers, with diverse measures to be taken to make active response. In addition, efforts will be made to actively explore and seek for new business opportunities in the financial and livestreaming e-commerce fields, actively grasp opportunities for our business development, and expand our business territory in China in a sustained and effective manner, so as to achieve healthy growth and enhance shareholder value.

We will keep working hard and opening up new territories in the back-office services field. In addition to the organic growth of orders from existing customers in the already penetrated industries due to the business growth of customers, new orders have been obtained in the operator service field and traditional financial field, and from new leading Internet companies. It has started the implementation of new businesses in an organised manner. Continuous efforts will be made on the project bidding and implementation and the construction of self-operated contact centres. Support will be given to new orders in personnel, site and so forth, with a view to contributing to revenue and profit.

In terms of Internet marketing, we will continuously step up its presence in the fields of livestreaming e-commerce and digital marketing services, which is fully integrated with its existing promotion capabilities and experience in Internet marketing. During the exploration to realise the integration of the brand and effects, it has set up a livestreaming service architecture from product selection to delivery and from store operation to livestreaming according to the marketing trend. It makes presence in local lifestyle and cross-border e-commerce businesses, makes unremitting efforts to achieve the integration of the brand and effects, and wins the favour of a number of service customers in the business segments. It will see continuous growth in traffic placement month by month.

DIVIDENDS

The Board does not recommend the payment of an interim dividend for the Interim Period 2022 (2021: Nil).

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

As at 30 September 2022, none of the Directors and chief executive of the Company had any interests or short positions in any shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance, Chapter 571 of the laws of Hong Kong ("SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors to be notified to the Company and the Stock Exchange.

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

As at 30 September 2022, so far as was known to the Directors, the following persons (other than the Directors or chief executive of the Company) had, or were deemed to have, 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, or who were directly or indirectly interested in 5% 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:

Other Information

Long positions in shares of the Company

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Zhong Zhi Xin Zhuo Capital Company Limited ("Zhongzhi Xinzhuo") (Note 1)	Beneficial owner	2,409,823,718	50.46%
Kang Bang Qi Hui (HK) Company Limited ("Kang Bang (HK)") (Note 1)	Beneficial owner	455,820,525	9.54%
Tian Xi Capital Company Limited ("Tian Xi Capital") (Note 1)	Interest of controlled corporation	2,865,644,243	60.00%
Zhong Zhi Ze Yun Capital Company Limited ("Ze Yun Capital") (Note 1)	Interest of controlled corporation	2,865,644,243	60.00%
Mr. XIE Zhikun [#] ("Mr. Xie") (Note 1)	Interest of controlled corporation	2,865,644,243	60.00%
Gfly Ltd (Note 2)	Beneficial owner	437,500,000	9.16%
LVYY Cayman Limited (Note 2)	Interest of controlled corporation	437,500,000	9.16%
LVYY Holding Limited (Note 2)	Interest of controlled corporation	437,500,000	9.16%
Mr. Lyu Wenyang (Note 2)	Interest of controlled corporation	437,500,000	9.16%
NINEGO Corporation ("NINEGO") (Note 3)	Beneficial Owner	274,190,219	5.74%
Mr. Hu Shilong ("Mr. Hu") (Note 3)	Interest of controlled corporation	274,190,219	5.74%
Ms. Liu Yingying ("Ms. Liu") (Note 3)	Interest of controlled corporation	274,190,219	5.74%

[#] Mr. Xie passed away on 18 December 2021.

Other Information

Notes:

1. Each of Zhongzhi Xinzhuo and Kang Bang (HK) is a wholly-owned subsidiary of Tian Xi Capital. Ze Yun Capital, a company wholly-owned by Mr. Xie, controls 100% of the voting power at general meetings of Tian Xi Capital. As such, each of Tian Xi Capital, Ze Yun Capital and Mr. Xie is deemed to be interested in an aggregate of 2,865,644,243 shares of the Company held by Zhongzhi Xinzhuo and Kang Bang (HK) by virtue of the SFO.
2. Gfly Ltd is a wholly-owned subsidiary of LVYY Cayman Limited. LVYY Cayman Limited is a wholly-owned subsidiary of LVYY Holding Limited, a company wholly-owned by Mr. Lyu Wenyang. As such, each of LVYY Cayman Limited, LVYY Holding Limited and Mr. Lyu Wenyang is deemed to be interested in 437,500,000 shares of the Company held by Gfly Ltd by virtue of the SFO.
3. NINEGO is held by Mr. Hu as to 40.60% and Ms. Liu as to 59.40%. As such, Mr. Hu and Ms. Liu are deemed to be interested in 274,190,219 shares of the Company held by NINEGO by virtue of the SFO.

Save as disclosed above, as at 30 September 2022, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position 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, or who was directly or indirectly interested in 5% 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.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Interim Period 2022.

COMPETING BUSINESS

During the Interim Period 2022, none of the Directors, controlling shareholder of the Company or their respective close associates had any direct or indirect interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

Other Information

SUBSCRIPTIONS OF NEW SHARES UNDER GENERAL MANDATE

On 15 July 2022 (after trading hours), the Company entered into subscription agreements with Gfly Ltd. and Glink Resources Limited respectively, pursuant to which Gfly Ltd. and Glink Resources Limited have conditionally agreed to subscribe for and the Company has conditionally agreed to allot and issue a total of 587,500,000 ordinary share(s) of par value of HK\$0.01 each in the capital of the Company (the "Subscription Shares", each a "Subscription Share") at a price of HK\$0.4 per Subscription Share (the "Subscriptions"). Gfly Ltd. is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding. It is ultimately owned by Mr. Lyu Wenyang. Glink Resources Limited is a company incorporated in Hong Kong with limited liability and is principally engaged in trading and investment business. The trading business mainly involves bulk commodity entrepot trade of metal products, whereas the investment business includes equity investment and debt investment. It is ultimately owned by Mr. Wang Peng. To the best of the Directors' knowledge, information and belief, and having made all reasonable enquiries, both Gfly Ltd. and Glink Resources Limited, and their respective ultimate beneficial owners are third parties independent of the Company and not connected persons (as defined in the GEM Listing Rules) of the Company.

The subscription price of HK\$0.4 per Subscription Share represents: (1) a premium of approximately 48.15% of the closing price of HK\$0.27 per Share as quoted on the Stock Exchange for the last five consecutive trading days up to and including 15 July 2022, being the date of the subscription agreements of the Subscriptions; and (2) a premium of approximately 45.45% to the closing price of HK\$0.275 per Share as quoted on the Stock Exchange on 15 July 2022, being the date of the subscription agreements of the Subscriptions.

The gross proceeds from the Subscriptions amounted to approximately HK\$235 million, and the net proceeds arising from the Subscriptions, after deducting all relevant expenses incidental to the Subscriptions, amounted to approximately HK\$215 million. The Company intended to apply the net proceeds in the following manner:

- (i) as to approximately HK\$27 million of the net proceeds from the Subscriptions towards existing business development ("Existing Business Development");
- (ii) as to approximately HK\$105 million of the net proceeds towards business expansion and acquisition(s) regarding new media business of providing live-streaming e-commerce and digital marketing services ("Business Expansion and Acquisition(s)"); and
- (iii) as to approximately HK\$83 million of the net proceeds towards general working capital of the Group ("General Working Capital").

Other Information

The Directors were of the view that the Subscriptions were in the interests of the Company and its shareholders as a whole and the allotment and issue of the Subscription Shares was an appropriate mean of raising additional capital for the business operations of the Group and to further strengthen the Group's financial position since it would provide the Company with immediate funding and the shareholders' base of the Company would be broadened.

On 2 August 2022, 437,500,000 Subscription Shares and 150,000,000 Subscription Shares were issued and allotted to Gfly Ltd. and Glink Resources Limited respectively under the Subscriptions.

Please refer to the announcements of the Company dated 15 July 2022 and 2 August 2022 for details of the Subscriptions.

The intended and actual use of proceeds from the Subscriptions up to 30 September 2022 is set out as follows:

	Net proceeds raised HK\$ million	Utilized amount of the net proceeds as at 30 September 2022 HK\$ million	Unutilized amount of the net proceeds as at 30 September 2022 HK\$ million	Expected timeline for utilizing the unutilized net proceeds
Existing Business Development	27.0	–	27.0	on or before 31 March 2023
Business Expansion and Acquisition(s)	105.0	–	105.0	on or before 31 December 2024
General Working Capital	83.0	82.2	0.8	on or before 31 March 2023
	215.0	82.2	132.8	

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries to all the relevant Directors who confirmed their compliance with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the Interim Period 2022. No incident of non-compliance was noted by the Company during the Interim Period 2022.

Other Information

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions set out in the Corporate Governance Code contained in Appendix 15 of the GEM Listing Rules throughout the Interim Period 2022.

REVIEW OF UNAUDITED FINANCIAL RESULTS

The Audit Committee has reviewed the Interim Financial Statements and is of the opinion that the preparation of those statements complies with the applicable accounting standards and that adequate disclosures have been made.

By Order of the Board
Kingwisoft Technology Group Company Limited
金慧科技集團股份有限公司
NIU Zhanbin
Chairman

Hong Kong, 8 November 2022

As at the date of this report, the executive Directors are Mr. NIU Zhanbin (Chairman), Mr. LIU Yang (Chief Executive Officer) and Mr. WU Hui (Chief Operating Officer); and the independent non-executive Directors are Mr. Stephen MARKSCHEID, Mr. ZHANG Weidong, Mr. ZENG Liang and Mr. WANG Li.