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**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 中植科技集團股份有限公司)*

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 08295)**

**THIRD QUARTERLY RESULTS ANNOUNCEMENT  
FOR THE NINE MONTHS ENDED 31 DECEMBER 2022 AND  
APPOINTMENT OF EXECUTIVE DIRECTORS**

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

*This announcement, 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 announcement 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 announcement misleading.*

## **HIGHLIGHTS**

- The Group recorded a revenue of approximately RMB725.8 million for the nine months ended 31 December 2022 (2021: approximately RMB647.4 million), representing 12.1% increase as compared to that of the corresponding period in 2021.
- Profit attributable to owners of the Company for the nine months ended 31 December 2022 was approximately RMB27.9 million (2021: approximately RMB58.4 million), representing 52.3% decrease as compared to that of the corresponding period in 2021.
- Basic and diluted earnings per share for the nine months ended 31 December 2022 was approximately RMB0.62 cents (2021: approximately RMB1.40 cents).
- The Board does not recommend payment of a dividend for the nine months ended 31 December 2022 (2021: Nil).

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 unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the three months (the “Third Quarter Fiscal 2022”) and nine months ended 31 December 2022, together with the comparative unaudited figures for the corresponding periods in 2021, as follows:

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months and nine months ended 31 December 2022

	Notes	Three months ended 31 December		Nine months ended 31 December	
		2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)	2022 RMB'000 (Unaudited)	2021 RMB'000 (Unaudited)
<b>Continuing operations</b>					
Revenue	4	268,484	246,168	725,821	647,361
Cost of services		<u>(249,271)</u>	<u>(192,064)</u>	<u>(638,404)</u>	<u>(505,570)</u>
Gross profit		19,213	54,104	87,417	141,791
Other income and losses, net	5	9,088	26,061	38,701	34,813
Marketing expenses		(1,542)	(2,953)	(3,937)	(8,140)
Research and development expenses		(10,371)	(7,448)	(25,119)	(20,561)
Administrative expenses		(23,840)	(24,678)	(58,565)	(68,290)
Reversal of provision (provision) of expected credit loss on accounts and other receivables, net		5,811	(320)	4,947	(616)
Finance costs	6	(7,122)	(4,330)	(18,818)	(11,812)
Share of result of an associate		<u>-</u>	<u>(18)</u>	<u>(12)</u>	<u>(5)</u>
<b>Profit (loss) before tax</b>	7	<b>(8,763)</b>	40,418	<b>24,614</b>	67,180
Income tax credit (expenses)	8	<u>(609)</u>	<u>(2,346)</u>	<u>229</u>	<u>(11,366)</u>
<b>Profit (loss) for the period from continuing operations</b>		<b>(9,372)</b>	38,072	<b>24,843</b>	55,814
<b>Discontinued operations</b>					
Profit (loss) for the period from discontinued operations		<u>-</u>	<u>38</u>	<u>-</u>	<u>(985)</u>
<b>Profit (loss) for the period</b>		<b><u>(9,372)</u></b>	<b><u>38,110</u></b>	<b><u>24,843</u></b>	<b><u>54,829</u></b>

	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>Notes</i> <b>RMB'000</b>	<i>RMB'000</i>	<b>RMB'000</b>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Other comprehensive income (loss):</b>				
<i>Item that may be subsequently reclassified to profit or loss:</i>				
Exchange differences arising on translation of foreign operations	(308)	(1,743)	4,165	(4,561)
Reclassification of translation reserve upon disposal of subsidiaries	—	(5,265)	—	(5,265)
<b>Total comprehensive income (loss) for the period</b>	<b>(9,680)</b>	31,102	<b>29,008</b>	45,003
<b>Profit (loss) for the period attributable to:</b>				
<b>Owners of the Company</b>				
— arises from continuing operations	(7,016)	38,139	27,868	59,359
— arises from discontinued operations	—	38	—	(985)
	<b>(7,016)</b>	38,177	<b>27,868</b>	58,374
<b>Non-controlling interests</b>				
— arises from continuing operations	(2,356)	(67)	(3,025)	(3,545)
— arises from discontinued operations	—	—	—	—
	<b>(2,356)</b>	(67)	<b>(3,025)</b>	(3,545)
	<b>(9,372)</b>	38,110	<b>24,843</b>	54,829

	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
Notes	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Total comprehensive income (loss)</b>				
<b>attributable to:</b>				
<b>Owners of the Company</b>				
— arises from continuing operations	(7,324)	30,712	32,033	48,903
— arises from discontinued operations	—	457	—	(355)
	<u>(7,324)</u>	<u>31,169</u>	<u>32,033</u>	<u>48,548</u>
<b>Non-controlling interest</b>				
— arises from continuing operations	(2,356)	(67)	(3,025)	(3,545)
— arises from discontinued operations	—	—	—	—
	<u>(2,356)</u>	<u>(67)</u>	<u>(3,025)</u>	<u>(3,545)</u>
	<u><u>(9,680)</u></u>	<u><u>31,102</u></u>	<u><u>29,008</u></u>	<u><u>45,003</u></u>
<b>Earnings (losses) per share attributable to owners of the Company</b>				
		9		
<b>Continuing operations</b>				
Basic and diluted (RMB cents)	(0.15)	0.91	0.62	1.42
<b>Discontinued operations</b>				
Basic and diluted (RMB cents)	—	—	—	(0.02)
	<u>—</u>	<u>—</u>	<u>—</u>	<u>(0.02)</u>
<b>Earnings (losses) per share for the period</b>	<u><u>(0.15)</u></u>	<u><u>0.91</u></u>	<u><u>0.62</u></u>	<u><u>1.40</u></u>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

*For the nine months ended 31 December 2022*

	Share capital <i>RMB'000</i>	Share premium <i>RMB'000</i>	Contributed surplus <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Revaluation reserve <i>RMB'000</i>	Translation reserve <i>RMB'000</i>	Retained profits (Accumulated losses) <i>RMB'000</i>	Sub-total <i>RMB'000</i>	Non- controlling interests <i>RMB'000</i>	Total <i>RMB'000</i>
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	-	-	-	-	-	-	27,868	27,868	(3,025)	24,843
Other comprehensive income for the period	-	-	-	-	-	4,165	-	4,165	-	4,165
Total comprehensive income for the period	-	-	-	-	-	4,165	27,868	32,033	(3,025)	29,008
Issue of new shares (net of transaction costs)	5,047	180,238	-	-	-	-	-	185,285	-	185,285
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	2,000	2,000
Acquisition of additional interests in subsidiaries	-	-	-	-	-	-	(421)	(421)	(4,579)	(5,000)
<b>At 31 December 2022</b> (Unaudited)	<b>40,442</b>	<b>1,125,116</b>	<b>-</b>	<b>12,876</b>	<b>(3,235)</b>	<b>23,493</b>	<b>89,310</b>	<b>1,288,002</b>	<b>14,544</b>	<b>1,302,546</b>
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	-	-	-	-	-	-	58,374	58,374	(3,545)	54,829
Other comprehensive expense for the period	-	-	-	-	-	(9,826)	-	(9,826)	-	(9,826)
Total comprehensive income for the period	-	-	-	-	-	(9,826)	58,374	48,548	(3,545)	45,003
Transfer between reserves	-	(124)	(7,944)	5,136	-	-	2,932	-	-	-
Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	1,600	1,600
Acquisition/disposal of subsidiaries	-	-	-	-	-	-	-	-	6,216	6,216
<b>At 31 December 2021</b> (Unaudited)	<b>35,395</b>	<b>944,754</b>	<b>-</b>	<b>12,876</b>	<b>(3,235)</b>	<b>18,651</b>	<b>40,011</b>	<b>1,048,452</b>	<b>19,998</b>	<b>1,068,450</b>

# **NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

*31 December 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, Uglan 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 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 three months and nine months ended 31 December 2022 (“Third Quarterly Financial Statements”) have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRS”) 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 Third Quarterly Financial Statements, is Renminbi (“RMB”).

### **3. PRINCIPAL ACCOUNTING POLICIES**

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

The HKICPA has issued a number of new/amended HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. The adoption of these new/amended HKFRSs has no material effect on the Third Quarterly Financial Statements, and there have otherwise been no significant changes to the accounting policies applied in the Third Quarterly Financial Statements. Other than additional accounting policies resulting from application of the new/amended HKFRSs, the accounting policies and methods of computation used in the Third Quarterly Financial Statements are the same as those presented in the Group's annual financial statements for the year ended 31 March 2022 (the "Annual Financial Statements"). However, the Third Quarterly 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.

### **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 nine months ended 31 December 2021.

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

	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>				
Value-added telecommunication and related services:				
— Back-office services				
• Provision of customer service solutions <sup>#</sup>	217,437	203,691	593,234	510,156
• Setting up of contact service systems and centres <sup>#</sup>	787	70	1,064	469
	<u>218,224</u>	<u>203,761</u>	<u>594,298</u>	<u>510,625</u>
— Comprehensive marketing services <sup>#</sup>	43,952	36,033	112,638	121,320
— Data centre services <sup>#</sup>	6,308	6,374	18,885	15,416
	<u>268,484</u>	<u>246,168</u>	<u>725,821</u>	<u>647,361</u>
<b>Discontinued operations</b>				
Financial Services:				
— Corporate advisory services <sup>#</sup>	—	—	—	83
— Loan interest income <sup>##</sup>	—	219	—	820
	<u>—</u>	<u>219</u>	<u>—</u>	<u>903</u>
Total	<u><b>268,484</b></u>	<u>246,387</u>	<u><b>725,821</b></u>	<u>648,264</u>
<sup>#</sup> Revenue from contracts with customers	268,484	246,168	725,821	647,444
<sup>##</sup> Revenue from other sources	—	219	—	820
	<u><b>268,484</b></u>	<u>246,387</u>	<u><b>725,821</b></u>	<u>648,264</u>

## Timing of revenue recognition

	<u>Continuing operations</u>		<u>Discontinued operations</u>			
	Value-added telecommunication and related services		Financial services		Total	
	Three months ended 31 December		Three months ended 31 December		Three months ended 31 December	
	2022	2021	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At a point in time	787	70	-	-	787	70
Over time	267,697	246,098	-	-	267,697	246,098
	<u>268,484</u>	<u>246,168</u>	<u>-</u>	<u>-</u>	<u>268,484</u>	<u>246,168</u>
	Value-added telecommunication and related services		Financial services		Total	
	Nine months ended 31 December		Nine months ended 31 December		Nine months ended 31 December	
	2022	2021	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
At a point in time	1,064	469	-	83	1,064	552
Over time	724,757	646,892	-	-	724,757	646,892
	<u>725,821</u>	<u>647,361</u>	<u>-</u>	<u>83</u>	<u>725,821</u>	<u>647,444</u>

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.

## Revenue by geographical location

	Three months ended 31 December		Nine months ended 31 December	
	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)	2022 <i>RMB'000</i> (Unaudited)	2021 <i>RMB'000</i> (Unaudited)
<b>Continuing operations</b>				
The People's Republic of China (the "PRC")	<u>268,484</u>	<u>246,168</u>	<u>725,821</u>	<u>647,361</u>
<b>Discontinued operations</b>				
Hong Kong	-	-	-	83
The United States of America (the "USA")	<u>-</u>	<u>219</u>	<u>-</u>	<u>820</u>
	<u>-</u>	<u>219</u>	<u>-</u>	<u>930</u>
Total	<u><u>268,484</u></u>	<u><u>246,387</u></u>	<u><u>725,821</u></u>	<u><u>648,264</u></u>

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

## Segment results

*For the three months ended 31 December 2022*

	Continuing operations		
	Value-added telecommunication and related services <i>RMB'000</i> (Unaudited)	Corporate <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue	268,484	-	268,484
Gross profit	19,213	-	19,213
Other income and losses, net	10,330	(1,242)	9,088
Marketing expenses	(1,542)	-	(1,542)
Research and development expenses	(10,371)	-	(10,371)
Administrative expenses	(14,585)	(9,255)	(23,840)
Reversal of provision of expected credit loss on accounts and other receivables, net	5,811	-	5,811
Finance costs	(3,411)	(3,711)	(7,122)
Profit/(loss) before tax	<u><u>5,445</u></u>	<u><u>(14,208)</u></u>	<u><u>(8,763)</u></u>

*For the three months ended 31 December 2021*

	Continuing operations		Discontinued operations	Total
	Value-added telecommunication and related services	Corporate	Financial services	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	246,168	–	219	246,387
Gross profit	54,104	–	219	54,323
Other income and losses, net	17,690	8,371	–	26,061
Marketing expenses	(2,953)	–	–	(2,953)
Research and development expenses	(7,448)	–	–	(7,448)
Administrative expenses	(15,662)	(9,016)	(181)	(24,859)
Provision of expected credit loss on accounts and other receivables, net	(320)	–	–	(320)
Finance costs	(2,343)	(1,987)	–	(4,330)
Share of result of an associate	(18)	–	–	(18)
Profit/(loss) before tax	43,050	(2,632)	38	40,456

*For the nine months ended 31 December 2022*

	Continuing operations		
	Value-added telecommunication and related services	Corporate	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	725,821	–	725,821
Gross profit	87,417	–	87,417
Other income and losses, net	37,607	1,094	38,701
Marketing expenses	(3,937)	–	(3,937)
Research and development expenses	(25,119)	–	(25,119)
Administrative expenses	(36,719)	(21,846)	(58,565)
Reversal of provision of expected credit loss on accounts and other receivables, net	4,947	–	4,947
Finance costs	(8,963)	(9,855)	(18,818)
Share of result of an associate	(12)	–	(12)
Profit/(loss) before tax	55,221	(30,607)	24,614

*For the nine months ended 31 December 2021*

	Continuing operations		Discontinued operations	
	Value-added telecommunication and related services	Corporate	Financial services	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	647,361	–	903	648,264
Gross profit	141,791	–	903	142,694
Other income and losses, net	25,109	9,704	–	34,813
Marketing expenses	(8,140)	–	–	(8,140)
Research and development expenses	(20,561)	–	–	(20,561)
Administrative expenses	(41,465)	(26,825)	(1,888)	(70,178)
Provision of expected credit loss on accounts and other receivables, net	(616)	–	–	(616)
Finance costs	(5,024)	(6,788)	–	(11,812)
Share of result of an associate	(5)	–	–	(5)
Profit/(loss) before tax	<u>91,089</u>	<u>(23,909)</u>	<u>(985)</u>	<u>66,195</u>

## 5. OTHER INCOME AND LOSSES, NET

	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>				
Net fair value loss on financial assets at fair value through profit or loss (“FVTPL”)	(93)	(969)	(1,034)	(395)
Dividend income	–	–	67	49
Interest income from financial assets at amortised cost				
— Bank deposits	232	164	683	796
Interest income from financial assets at FVTPL				
— Structured deposit	–	–	–	15
Interest income from former subsidiaries	384	–	1,173	–
Gain (loss) on exchange differences	(1,206)	1,101	2,267	1,506
Government grants and subsidies	7,096	8,537	12,017	12,912
Value-Add Tax (“VAT”) refund	1,490	1,329	1,642	1,343
Gain on disposal of subsidiaries	–	14,583	–	14,583
Gain on disposal of an associate	–	–	1,653	–
Gain from derecognition of financial liabilities measured at amortised costs	–	–	15,508	–
Others	1,185	1,316	4,725	4,004
Total	<u>9,088</u>	<u>26,061</u>	<u>38,701</u>	<u>34,813</u>

## 6. FINANCE COSTS

	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>				
Interest on bank borrowings	848	315	1,380	1,056
Interest on other borrowings from a related company	4,423	2,029	11,132	3,286
Interest on lease liabilities	531	46	1,439	749
Interest on consideration payable	1,320	1,940	4,867	6,721
Total	<u>7,122</u>	<u>4,330</u>	<u>18,818</u>	<u>11,812</u>

## 7. PROFIT (LOSS) BEFORE TAX

The Group's profit (loss) before tax has been arrived at after charging:

	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>				
Directors' and chief executives' emoluments	1,604	2,681	4,795	5,311
Employee benefit expenses (excluding directors' and chief executives' emoluments)				
— Salaries and other benefits	160,361	126,214	386,141	289,181
— Amount capitalised	(2,823)	(2,800)	(7,932)	(7,081)
	<u>159,142</u>	<u>126,095</u>	<u>383,004</u>	<u>287,411</u>
<b>Discontinued operations</b>				
Employee benefit expenses (excluding directors' and chief executives' emoluments)				
— Salaries and other benefits	—	64	—	1,116
	<u>159,142</u>	<u>126,159</u>	<u>383,004</u>	<u>288,527</u>
<b>Continuing operations</b>				
Legal and professional fees	1,416	1,950	4,499	4,359
Depreciation of plant and equipment	7,405	922	18,755	11,789
Depreciation of right-of-use assets	10,885	9,182	26,610	22,973
Amortisation of intangible assets	6,674	5,578	18,591	16,481
	<u>159,142</u>	<u>126,159</u>	<u>383,004</u>	<u>288,527</u>
<b>Discontinued operations</b>				
Legal and professional fees	—	102	—	239
Depreciation of plant and equipment	—	—	—	34
	<u>—</u>	<u>—</u>	<u>—</u>	<u>34</u>

## 8. INCOME TAX CREDIT (EXPENSES)

	Three months ended		Nine months ended	
	31 December		31 December	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Continuing operations</b>				
Current tax				
PRC Enterprise Income tax (“EIT”)	<b>(2,218)</b>	(3,041)	<b>(4,960)</b>	(12,307)
Over-provision in prior period	–	–	<b>2,789</b>	–
Deferred tax	<b>1,609</b>	695	<b>2,400</b>	941
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Income tax credit/(expenses)	<b><u>(609)</u></b>	<b><u>(2,346)</u></b>	<b><u>229</u></b>	<b><u>(11,366)</u></b>

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.

## 9. EARNINGS (LOSSES) PER SHARE

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

	Three months ended 31 December		Nine months ended 31 December	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
<b>Earnings (losses):</b>				
Profit (loss) for the period attributable to owners of the Company arises from:				
— Continuing operations	<b>(7,016)</b>	38,139	<b>27,868</b>	59,359
— Discontinued operations	—	38	—	(985)
	<u><b>(7,016)</b></u>	<u>38,177</u>	<u><b>27,868</b></u>	<u>58,374</u>

### Number of shares (in thousands)

#### Number of shares:

Weighted average number of ordinary shares for the purposes of calculating basic and diluted earnings (losses) per share	<u><b>4,776,020</b></u>	<u>4,188,520</u>	<u><b>4,513,247</b></u>	<u>4,188,520</u>
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Diluted earnings (losses) per share amount was the same as basic earnings (losses) per share amount as there were no potential dilutive ordinary shares outstanding for both periods.

## 10. DIVIDENDS

The Board does not recommend the payment of a dividend for the nine months ended 31 December 2022 (2021: Nil).

## **11. RELATED PARTY TRANSACTIONS**

In addition to the transactions detailed in Note 6 to the Third Quarterly Financial Statements, the Group had the following transactions with related parties:

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 Third Quarterly Financial Statements.

## **12. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED THIRD QUARTERLY FINANCIAL STATEMENTS**

The Third Quarterly Financial Statements were approved and authorised for issue by the Board on 7 February 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

Despite the impacts of complex environmental factors such as the COVID-19 epidemic and sluggish global economic growth on China's economic recovery and our business challenges in 2022, the Group has always been sticking to the improvement of customer satisfaction and business health and sustainability, has worked closely with clients, and complied with government's epidemic prevention and control requirements. It took some proactive and effective measures, including epidemic prevention and control in the workplace, flexible working arrangements (including working from home) and business interoperability in the workplace, and managed to keep stable and continuous operation of its businesses. However, those proactive measures have had a significant adverse impact on the Group's operation, especially its profitability. In the Third Quarter Fiscal 2022, the growth rate of the revenue from the Group's primary businesses slowed down and the corresponding profitability was slightly reduced.

The Group generated revenue of approximately RMB725.8 million in nine months ended 31 December 2022, a year-on-year increase of 12.1%. The revenue in the Third Quarter Fiscal 2022 reached approximately RMB268.5 million, up by 9.1% over the same period last year. Specifically, the back-office services have been advancing steadily, with further consolidated leading position in advantageous fields such as the Internet and telecommunication operators. The revenue of back-office services hit approximately RMB594.3 million, accounting for 81.9% of the total revenue.

During the reporting period, the Group continued to strengthen and broaden our business relationships with leading clients in the fields of Internet transit, finance and securities, e-commerce, and community group purchase. And our top five clients remain fairly stable. Meanwhile, in terms of new clients and new business development, we have put great efforts in all-industry markets with incremental shares, and increased clients in the field of Internet marketing services. The Group's subsidiaries was listed in the "2022 Leading Chinese Digital Services and Service Outsourcing Enterprise (Customer Centre)" by China Council for International Investment Promotion, named "Best Employer" and "Top 100 Chinese Service Brands" at the 2022 China Customer Service Festival, and included in the editor's choice of the Customer World — "Top 10 Chinese Customer Centre Outsourcing Brands of the Year 2022".

The Group, which has always adhered to independent innovation and research and development, focuses on the innovation in artificial intelligence and big data technologies and their integration with and application in business scenarios, with positive results achieved. The developed business scenarios cover customer service business systems, digital operation and talent management, training and practice, as well as merchant and product efficiency

management tools in the field of digital marketing. During the reporting period, the Group's subsidiaries were included in the "2022 Dalian's Top 100 Software Companies", "30-year Enterprises with Core Competitiveness in Dalian's Software Industry" and "Leading 30-year Customer Service Providers in Dalian's Software Industry" among other honours. It has also obtained one new invention patent and eight software copyrights that are closely related to the Group's businesses, and has accumulated four invention patents (one under substance examination) and 217 software copyrights.

In addition, the Group built self-operated contact service centres in Pingxiang, Shenyang and Xi'an during the reporting period, bringing the total number of completed workstations in 30 self-operated contact service centres to 15,600.

## **FINANCIAL REVIEW**

The Group recorded a revenue of approximately RMB725.8 million for the nine months ended 31 December 2022 (2021: approximately RMB647.4 million), representing 12.1% 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 nine months ended 31 December 2022, the Group incurred cost of services of approximately RMB638.4 million (2021: approximately RMB505.6 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 nine months ended 31 December 2022 was approximately RMB38.7 million (2021: approximately RMB34.8 million). The increase was mainly attributable to recognition of a gain on disposal of an associate and interest income from former subsidiaries during the nine months ended 31 December 2022 as well as the increase in exchange gain as compared to that of the corresponding period in 2021.

The Group incurred marketing, research and development expenses of approximately RMB29.1 million (2021: approximately RMB28.7 million) in aggregate during the nine months ended 31 December 2022.

Administrative expenses for the nine months ended 31 December 2022 reduced to approximately RMB58.6 million (2021: approximately RMB68.3 million) which was mainly attributable to the decrease in staff costs in administrative expenses.

The Group recognized a net reversal of expected credit loss provision on accounts and other receivables of approximately RMB4.9 million during the nine months ended 31 December 2022 (2021: net provision of expected credit loss of approximately RMB0.6 million).

During the nine months ended 31 December 2022, the Group incurred finance costs of approximately RMB18.8 million (2021: approximately RMB11.8 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 nine months ended 31 December 2022 of approximately RMB0.2 million (2021: income tax expenses of approximately RMB11.4 million) which mainly consisted of provision of PRC Enterprise Income Tax of approximately RMB5.0 million (2021: approximately RMB12.3 million), offset by an overprovision in prior period of approximately RMB2.8 million (2021: Nil) and deferred tax credit of approximately RMB2.4 million (2021: approximately RMB0.9 million).

Profit attributable to owners of the Company for the nine months ended 31 December 2022 was approximately RMB27.9 million (2021: approximately RMB58.4 million), representing 52.3% decrease as compared to that of the corresponding period in 2021.

Basic and diluted earnings per share for the nine months ended 31 December 2022 was approximately RMB0.62 cents (2021: approximately RMB1.40 cents).

## **OUTLOOK**

Thanks to highly efficient epidemic prevention and control, upward social and economic development, and favourable policy of continuous optimization of epidemic prevention and control measures and “stabilizing growth” in 2022, China’s economy is expected to improve overall, grow upward alone, and become an important force to enhance global economic vitality in 2023. The service industry accommodates the most jobs among all industries in China. The optimization of epidemic prevention and control measures boosts quick recovery of the service industry, and brings employment and revenue upward. The stabilization and improvement of the service industry marks enhanced market expectations. As epidemic prevention and control policies continue to be optimized, consumption scenarios are no longer restricted, and accumulated consumer demands will be released. Analysts generally believe that total retail sales of consumer goods will increase significantly in 2023 compared to 2022.

At the same time, the accelerated arrival of the digital economy has profoundly changed consumer behaviors and brought about innovative business models and inter-/intra-industry integration. It is an irreversible trend of industrial change in the era of the new technological revolution and digital economy, and the inevitable pathway for modern industrial development and evolution. New models of e-commerce, such as live e-commerce, content e-commerce and social e-commerce, are emerging, and digital shopping malls, smart stores, membership stores and other forms of physical and digital economy integration offline have also achieved rapid penetration, providing multiple information access and consumption channels for consumers. In terms of policies, the Central Economic Work Conference proposed that “efforts will be

made to expand domestic demand” in 2023, and “prioritize consumption recovery and expansion”. As China issued a series of policies targeting the entertainment and media industry and its sub-sectors, it aims to promote industry development, deepen the integration of new technologies with industries, and create and expand new consumption scenarios through digital empowerment and integration of business, tourism, culture and sports.

As the Group’s major clients are players from sectors such as finance & securities, telecommunication operators and Internet, they are expected to recover rapidly with the continued economic recovery and the gradual rise of new endogenous momentum, while the far-reaching impact of the epidemic on people’s education, mobility and shopping will further promote the booming development of Internet companies, which are expected to bring the Group’s business more opportunities for rapid growth.

The Group will pay close attention to the impact of macro policies on its clients’ businesses, and maintain close communication with clients. It will take diversified measures to make active responses. Meanwhile, it will actively explore and seek new business opportunities in the financial industry and live e-commerce, actively grasp the good opportunities for business development, and effectively expand its business presence in China, to realise healthy growth, thereby enhancing shareholder value.

The Group keeps 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, and the Group has started the implementation of new business in an organised manner. The Group will continuously promote its participation in project tendering, implementation and construction of self-operated contact centres to provide personnel, sites and other special supports for new orders to achieve revenue and profit contribution.

In terms of Internet marketing, the Group continues to expand its presence in the field of live e-commerce and digital marketing services, and gets fully integrated with its existing Internet marketing promotion capabilities and experience. In exploring the integration of quality and effectiveness, the Group has established the livestreaming service framework from goods selection to delivery and from store operation to livestreaming promotion in line with marketing trends. It will establish presence in the field of local lifestyle and cross-border e-commerce businesses while always striving to achieve the integration of quality and effectiveness. Furthermore, the Group has acquired several service clients. It is working on deeper integration of its established digital marketing service capabilities with the new consumption scenarios, creating a healthier ecology and enhancing its service capabilities to ensure that the Group will have more confidence and strength in weathering economic cycles and dealing with external impacts.

## **OTHER INFORMATION**

### **DIVIDENDS**

The Board does not recommend the payment of a dividend for the nine months ended 31 December 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 31 December 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 31 December 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:

## 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	211,970,219	4.44%
Mr. Hu Shilong (“Mr. Hu”) (Note 3)	Interest of controlled corporation	211,970,219	4.44%
Ms. Liu Yingying (“Ms. Liu”) (Note 3)	Interest of controlled corporation	211,970,219	4.44%

# Mr. Xie passed away on 18 December 2021.

*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 211,970,219 shares of the Company held by NINEGO by virtue of the SFO.

Save as disclosed above, as at 31 December 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 nine months ended 31 December 2022.

## **COMPETING BUSINESS**

During the nine months ended 31 December 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.

## **AUDIT COMMITTEE**

The Company has established an audit committee with written terms of reference in compliance with the GEM Listing Rules. The primary duties of the audit committee include reviewing and overseeing the financial reporting system, risk management and internal control systems of the Group. The audit committee comprises three independent non-executive Directors, namely Mr. Stephen MARKSCHEID (chairman of the audit committee), Mr. ZHANG Weidong and Mr. ZENG Liang.

The audit committee has reviewed the Third Quarterly 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.

## **APPOINTMENT OF EXECUTIVE DIRECTORS**

The Board is pleased to announce that Mr. QIU Xiaojian (“Mr. QIU”) and Mr. LI Xiang (“Mr. LI”) have been appointed as executive Directors of the Company with effect from 7 February 2023.

The biographical details of the new Directors are set out as below:

### **Mr. QIU Xiaojian**

Mr. QIU, aged 37, graduated from Renmin University of China with a bachelor’s degree of Economics in June 2008.

Mr. QIU has been serving as the director of Hubei Mailyard Share Co., Ltd.\* (湖北美爾雅股份有限公司), a company whose shares were listed on the Shanghai Stock Exchange (Stock Code: 600107), since May 2020 (re-designated as the non-independent director on 25 October 2022), the president of Zhonghai Shengrong (Beijing) Capital Management Group Co., Ltd.\* (中海晟融(北京)資本管理集團有限公司) (“Zhonghai Shengrong”) since July 2020 and the co-chairman of Zhongzhi Capital Management Co., Ltd.\* (中植資本管理有限公司) since December 2022. Prior to that, Mr. QIU worked as the chief financial officer in Zhonghai Shengrong from January 2019 to July 2020, the chief financial officer in Zhongtai Chuangzhan Holdings Co., Ltd.\* (中泰創展控股有限公司) (“Zhongtai Chuangzhan”) from March 2016 to December 2018, the general manager of Financial Operations Center in Zhongtai Chuangzhan from December 2014 to March 2016, the deputy general manager of Financial Operations Center in Zhongtai Chuangzhan from December 2013 to December 2014, the senior audit manager of Program Audit Centre in Zhongzhi Enterprise Group\* (中植企業集團) (“ZEG”) from July 2013 to December 2013, the senior investment manager of Financial Innovation Department in ZEG from January 2013 to July 2013 and the assistant manager of KPMG Huazhen LLP from September 2008 to January 2013.

Mr. QIU has entered into a service agreement with the Company for an initial term of three years commencing from 7 February 2023 subject to termination in certain circumstances as stipulated in the service agreement. Mr. QIU will not receive any remuneration from the Company. Pursuant to the Company's amended and restated articles of association (the "Articles of Association"), Mr. QIU shall hold office until the forthcoming annual general meeting of the Company and be eligible for re-election.

Save as disclosed above and as at the date of this announcement, Mr. QIU (i) does not hold any other positions with the Company or other members of the Group; (ii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; (iii) has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); (iv) has not held any directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; and (v) there is no information in relation to his appointment which is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules or any other matter that needs to be brought to the attention of the shareholders of the Company.

#### **Mr. LI Xiang**

Mr. LI, aged 33, graduated from Harbin Institute of Technology with a bachelor's degree of Electrical Engineering & Automation in July 2012. He also received a master's degree in Electrical and Electronic Engineering from the University of Hong Kong in November 2014.

Mr. LI has been serving as the deputy general manager of Investment Department in Zhonghai Shengrong since January 2017. Prior to that, Mr. LI worked as the deputy manager of Corporate Business Department in Industrial Bank Co., Ltd. Shenzhen Branch\* (興業銀行股份有限公司深圳分行) from April 2015 to January 2017.

Mr. LI has entered into a service agreement with the Company for an initial term of three years commencing from 7 February 2023 subject to termination in certain circumstances as stipulated in the service agreement. Mr. LI is entitled to receive a remuneration of RMB600,000 per annum which was determined by the remuneration committee of the Company with reference to, among other things, his duties and responsibilities of the Group. Pursuant to the Articles of Association, Mr. LI shall hold office until the forthcoming annual general meeting of the Company and be eligible for re-election.

Save as disclosed above and as at the date of this announcement, Mr. LI (i) does not hold any other positions with the Company or other members of the Group; (ii) has no relationship with any directors, senior management, substantial shareholders or controlling shareholders of the Company; (iii) has no interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong); (iv) has not

held any directorships in the last three years in public companies the securities of which are listed on any securities market in Hong Kong or overseas; and (v) there is no information in relation to his appointment which is required to be disclosed pursuant to Rule 17.50(2) of the GEM Listing Rules or any other matter that needs to be brought to the attention of the shareholders of the Company.

The Board would like to express its warm welcome to Mr. QIU and Mr. LI for joining the Board and the Group.

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, 7 February 2023

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

*This announcement will remain on the “Latest Listed Company Information” page of the website of GEM at [www.hkgem.com](http://www.hkgem.com) for at least 7 days from the date of its publication and on the website of the Company at [www.kwtech-group.com](http://www.kwtech-group.com).*

\* *For identification purposes only*