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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)

**FIRST QUARTERLY RESULTS ANNOUNCEMENT
FOR THE THREE MONTHS ENDED 30 JUNE 2022**

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 RMB222.9 million for the First Quarter Fiscal 2022 (2021: approximately RMB184.2 million), representing 21.0% increase as compared to that of the corresponding period in 2021.
- Profit attributable to owners of the Company for the First Quarter Fiscal 2022 was approximately RMB12.5 million, as compared to profit of approximately RMB9.7 million for the corresponding period in 2021.
- Basic and diluted earnings per share for the First Quarter Fiscal 2022 was approximately RMB0.30 cents (2021: Basic and diluted earnings per share was approximately RMB0.23 cents).
- The Board does not recommend payment of a dividend for the First Quarter Fiscal 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 ended 30 June 2022 (the “First Quarter Fiscal 2022”), together with the comparative unaudited figures for the corresponding period in 2021, as follows:

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the three months ended 30 June 2022

		Three months ended 30 June	
		2022	2021
	<i>Notes</i>	RMB'000	RMB'000
		(Unaudited)	(Unaudited and re-presented)
Continuing operations			
Revenue	4	222,865	184,178
Cost of services		(184,924)	(141,967)
		<hr/>	<hr/>
Gross profit		37,941	42,211
Other income and losses, net	5	2,785	4,780
Marketing expenses		(1,048)	(2,648)
Research and development expenses		(6,748)	(6,015)
Administrative expenses		(16,574)	(20,782)
Finance costs	6	(5,160)	(3,325)
Share of loss of an associate		(11)	–
		<hr/>	<hr/>
Profit before tax	7	11,185	14,221
Income tax credit/(expenses)	8	1,684	(5,556)
		<hr/>	<hr/>
Profit for the period from continuing operations		12,869	8,665
Discontinued operations			
Loss for the period from discontinued operations		–	(896)
		<hr/>	<hr/>
Profit for the period		12,869	7,769
		<hr/>	<hr/>
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		3,798	(2,995)
		<hr/>	<hr/>
Total comprehensive income for the period		16,667	4,774
		<hr/> <hr/>	<hr/> <hr/>

		Three months ended 30 June	
		2022	2021
<i>Notes</i>		RMB'000	<i>RMB'000</i>
		(Unaudited)	(Unaudited and re-presented)
Profit for the period attributable to:			
Owners of the Company			
		12,510	10,637
	arises from continuing operations		
	arises from discontinued operations	—	(896)
		<u>12,510</u>	<u>9,741</u>
Non-controlling interests			
		359	(1,972)
	arises from continuing operations		
	arises from discontinued operations	—	—
		<u>359</u>	<u>(1,972)</u>
		<u>12,869</u>	<u>7,769</u>
Total comprehensive income attributable to:			
Owners of the Company			
		16,308	7,305
	arises from continuing operations		
	arises from discontinued operations	—	(559)
		<u>16,308</u>	<u>6,746</u>
Non-controlling interests			
		359	(1,972)
	arises from continuing operations		
	arises from discontinued operations	—	—
		<u>359</u>	<u>(1,972)</u>
		<u>16,667</u>	<u>4,774</u>
Earnings per share attributable to owners of the Company			
Continuing operations			
	— Basic and diluted (RMB cents)	0.30	0.25
Discontinued operations			
	— Basic and diluted (RMB cents)	—	(0.02)
	Earnings per share for the period	<u>0.30</u>	<u>0.23</u>

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the three months ended 30 June 2022

	Share capital <i>RMB'000</i> (Unaudited)	Share premium <i>RMB'000</i> (Unaudited)	Contributed surplus <i>RMB'000</i> (Unaudited)	Statutory reserve <i>RMB'000</i> (Unaudited)	Revaluation reserve <i>RMB'000</i> (Unaudited)	Translation reserve <i>RMB'000</i> (Unaudited)	Retained profits/ losses) <i>RMB'000</i> (Unaudited)	Sub-total <i>RMB'000</i> (Unaudited)	Non- controlling interests <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (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	-	-	-	-	-	-	12,510	12,510	359	12,869
Other comprehensive income for the period	-	-	-	-	-	3,798	-	3,798	-	3,798
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(4,233)	(4,233)
At 30 June 2022	<u>35,395</u>	<u>944,878</u>	<u>-</u>	<u>12,876</u>	<u>(3,235)</u>	<u>23,126</u>	<u>74,373</u>	<u>1,087,413</u>	<u>16,274</u>	<u>1,103,687</u>
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	-	-	-	-	-	-	9,741	9,741	(1,972)	7,769
Other comprehensive loss for the period	-	-	-	-	-	(2,995)	-	(2,995)	-	(2,995)
Capital contributions from non-controlling interests	-	-	-	-	-	-	-	-	400	400
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	(5,716)	(5,716)
At 30 June 2021	<u>35,395</u>	<u>944,878</u>	<u>7,944</u>	<u>7,740</u>	<u>(3,235)</u>	<u>25,482</u>	<u>(11,554)</u>	<u>1,006,650</u>	<u>8,439</u>	<u>1,015,089</u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 June 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 ended 30 June 2022 (the “First Quarterly Financial Statements”) have been prepared in accordance with the Hong Kong Financial Reporting Standards (“HKFRSs”) 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 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 First Quarterly Financial Statements, is Renminbi (“RMB”).

3. PRINCIPAL ACCOUNTING POLICIES

The First 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 and revised HKFRSs that are first effective or available for early adoption for the current accounting period of the Company. The adoption of these new and revised HKFRSs has no material effect on the First Quarterly Financial Statements, and there have been no significant changes to the accounting policies applied in the First Quarterly Financial Statements.

The principal accounting policies used in the preparation of the First Quarterly Financial Statements are consistent with those used in the preparation of the Group’s audited annual financial statements for the year ended 31 March 2022. However, the First 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 for the year ended 31 March 2022.

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 segment have been classified as discontinued operations of the Group for the three months ended 30 June 2021.

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

	Three months ended 30 June	
	2022	2021
	<i>RMB’000</i>	<i>RMB’000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Value-added telecommunication and related services:		
— Back-office services		
• Provision of customer service solutions [#]	177,871	144,177
• Setting up of contact service systems and centres [#]	127	303
	<u>177,998</u>	<u>144,480</u>
— Comprehensive marketing services [#]	38,733	35,253
— Data centre services [#]	6,134	4,445
	<u>222,865</u>	<u>184,178</u>
Discontinued operations		
Financial Services:		
— Corporate advisory services [#]	–	83
— Loan interest income ^{##}	–	295
	<u>–</u>	<u>295</u>
Total	<u><u>222,865</u></u>	<u><u>184,556</u></u>
[#] Revenue from contracts with customers	222,865	184,261
^{##} Revenue from other sources	–	295
	<u><u>222,865</u></u>	<u><u>184,556</u></u>

Timing of revenue recognition

	Continuing operations		Discontinued operations		Total	
	Value-added telecommunication and related services		Financial services			
	Three months ended 30 June		Three months ended 30 June		Three months ended 30 June	
	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	127	303	-	83	127	386
Over time	222,738	183,875	-	-	222,738	183,875
	<u>222,865</u>	<u>184,178</u>	<u>-</u>	<u>83</u>	<u>222,865</u>	<u>184,261</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 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
The People's Republic of China (the "PRC")	222,865	184,178
Discontinued operations		
Hong Kong	-	83
The United States of America (the "USA")	-	295
	<u>222,865</u>	<u>184,556</u>

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

Segment results

For the three months ended 30 June 2022

	<u>Continuing operations</u>		
	Value-added telecommunication and related services <i>RMB'000</i> (Unaudited)	Corporate <i>RMB'000</i> (Unaudited)	Total <i>RMB'000</i> (Unaudited)
Revenue	222,865	–	222,865
Gross profit	37,941	–	37,941
Other income and losses, net	6,055	(3,270)	2,785
Marketing expenses	(1,048)	–	(1,048)
Research and development expenses	(6,748)	–	(6,748)
Administrative expenses	(10,261)	(6,313)	(16,574)
Finance costs	(2,795)	(2,365)	(5,160)
Share of loss of an associate	(11)	–	(11)
Profit/(loss) before tax	23,133	(11,948)	11,185

For the three months ended 30 June 2021

	<u>Continuing operations</u>		<u>Discontinued operations</u>	Total <i>RMB'000</i> (Unaudited)
	Value-added telecommunication and related services <i>RMB'000</i> (Unaudited)	Corporate <i>RMB'000</i> (Unaudited)	Financial services <i>RMB'000</i> (Unaudited)	
Revenue	184,178	–	378	184,556
Gross profit	42,211	–	378	42,589
Other income and losses, net	3,215	1,565	–	4,780
Marketing expenses	(2,648)	–	–	(2,648)
Research and development expenses	(6,015)	–	–	(6,015)
Administrative expenses	(13,275)	(7,507)	(1,274)	(22,056)
Finance costs	(697)	(2,628)	–	(3,325)
Profit/(loss) before tax	22,791	(8,570)	(896)	13,325

5. OTHER INCOME AND LOSSES, NET

	Three months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited and re-presented)
Continuing operations		
Net fair value (loss)/gain on financial assets at fair value through profit or loss (“FVTPL”)	(308)	549
Interest income from financial assets at amortised cost		
— Bank deposits	172	482
Interest income from financial assets at FVTPL		
— Structured deposit	–	15
Interest income from former subsidiaries	406	–
(Loss)/gain on exchange difference	(2,792)	730
Government grants and subsidies	3,623	1,382
Value-Add Tax (“VAT”) refund	2	21
Others	1,682	1,601
	<u>2,785</u>	<u>4,780</u>

6. FINANCE COSTS

	Three months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Continuing operations		
Interest on bank borrowings	304	406
Interest on other borrowings from a related company	2,436	–
Interest on lease liabilities	420	304
Interest on consideration payable	2,000	2,615
	<u>5,160</u>	<u>3,325</u>

7. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

	Three months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited and re-presented)
Continuing operations		
Directors' and chief executives' emoluments	1,730	1,395
Employee benefit expenses (excluding directors' and chief executives' emoluments)		
— Salaries and other benefits	105,876	74,581
— Amount capitalised	(2,552)	(2,147)
	105,054	73,829
Discontinued operations		
Employee benefit expenses (excluding directors' and chief executives' emoluments)		
— Salaries and other benefits	—	777
	105,054	74,606
Continuing operations		
Legal and professional fees	1,523	624
Depreciation of property and equipment	5,503	1,346
Depreciation of right-of-use assets	7,374	6,561
Amortisation of intangible assets	5,838	5,342
Discontinued operations		
Legal and professional fees	—	46
Depreciation of property and equipment	—	21

8. INCOME TAX CREDIT/(EXPENSES)

	Three months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Continuing operations		
Current tax		
PRC Enterprise Income Tax	(1,875)	(5,962)
Over provision in prior period	2,635	–
Deferred tax	924	406
	<u> </u>	<u> </u>
Income tax credit/(expenses)	<u>1,684</u>	<u>(5,556)</u>

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 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 June	
	2022	2021
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings:		
Profit for the period attributable to owners of the Company arises from		
— Continuing operations	12,510	10,637
— Discontinued operations	–	(896)
	<u> </u>	<u> </u>
	<u>12,510</u>	<u>9,741</u>

Three months ended 30 June
2022 2021

Number of shares:

Weighted average number of ordinary shares for the purposes of
calculating basic and diluted earnings per share

4,188,519,590 4,188,519,590

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.

10. DIVIDENDS

The Board does not recommend payment of a dividend for the First Quarter Fiscal 2022 (2021: Nil).

11. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in Note 6 to the First Quarterly Financial Statements, the Group had the following transactions with related parties during the three months ended 30 June 2022 and 2021:

Compensation of key management personnel of the Group:

The Directors and chief executives are the key management personnel of the Group. Details of their remuneration are disclosed in Note 7 to the First Quarterly Financial Statements.

12. EVENT AFTER THE REPORTING PERIOD

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. 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. Please refer to the Company's announcements dated 15 July 2022 and 2 August 2022 for further details of this transaction.

13. APPROVAL OF THE UNAUDITED CONDENSED CONSOLIDATED FIRST QUARTERLY FINANCIAL STATEMENTS

The First Quarterly Financial Statements were approved and authorised for issue by the Board on 9 August 2022.

MANAGEMENT DISCUSSION AND ANALYSIS

Business review

Despite the complex and challenging external environment and the economy volatility in the Chinese market due to the recurrence of the COVID-19 epidemic, the Group still remained positive in confronting and adapting such environment. It has been always sticking to the improvement of customer satisfaction and business health and sustainability, and also focused on key strategic fields of corporate services to consolidate its leading position. In addition, the Group worked closely with customers and complied with government's epidemic prevention and control requirements. It took some positive and effective measures, including epidemic prevention and control in the workplace, flexible working arrangements (including working from home) and business interoperability in the workplace to keep smooth operation of its businesses.

The revenue and profit from the Group's primary businesses showed a good growth trend during the First Quarter Fiscal 2022. It posted revenue of approximately RMB222.9 million for the First Quarter Fiscal 2022, a year-on-year increase of 21.0%. The back-office services have been advancing steadily, with further consolidated leading position in many advantageous fields such as the Internet and operators, of which the revenue was approximately RMB178.0 million, accounting for 79.9% of the total revenue.

The top 10 customers of the Group remained steady during the First Quarter Fiscal 2022. The Group has been keeping moderately growing business relationships with clients who are leading companies in sectors, such as Internet mobility, finance & securities, e-commerce and community group buying. In addition, in terms of new clients and new business expansion, the Group has deeply exploited the incremental market in industries. While expanding into informative advertising optimisation business in exploring the integration of quality and effectiveness, it has also developed livestreaming and local lifestyle operation business. The Group has acquired many customers from the Internet marketing service sector, with one professional self-brand operating company becoming one of the top 10 customers.

The Group has always adhered to independent innovation and research and development, focusing on the innovation in artificial intelligence and big data technologies and their integration with and application in business scenarios, with positive results achieved. During the First Quarter Fiscal 2022, Shenzhen Kingwisoft Data Services 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 Internet Service Outsourcing Co., Ltd.* (大連金慧融智網絡服務外包有限公司), subsidiaries of the Group, were admitted into the small-and-medium technology enterprise base. The Group obtained 2 new software copyrights that are closely related to the Group's businesses. It has obtained 2 invention patents and 165 software copyrights in total, and is now working on the strategy of developing quality and productivity tools in the field of digital marketing.

In addition, the Group built self-operated contact service centres in Pingxiang and Longyan during the First Quarter Fiscal 2022, and expanded such self-operated contact service centres in Dalian and Puyang, bringing the total number of completed workstations in 25 self-operated contact service centres to 11,964.

Financial review

The Group recorded a revenue of approximately RMB222.9 million for the First Quarter Fiscal 2022 (2021: approximately RMB184.2 million), representing 21.0% 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 First Quarter Fiscal 2022, the Group incurred cost of services of approximately RMB184.9 million (2021: RMB142.0 million). Cost of services primarily consisted of staff costs, subcontracting fees, rental expenses, depreciation and amortisation. The increase was mainly attributable to the increases in the abovementioned major expenses components.

Net other income for the First Quarter Fiscal 2022 was approximately RMB2.8 million (2021: approximately RMB4.8 million).

The Group incurred marketing, research and development expenses of approximately RMB7.8 million (2021: RMB8.7 million) in aggregate during the First Quarter Fiscal 2022.

* *For identification purposes only*

Administrative expenses for the First Quarter Fiscal 2022 reduced to approximately RMB16.6 million (2021: approximately RMB20.8 million) which was mainly attributable to the decrease in staff costs.

During the First Quarter Fiscal 2022, the Group incurred finance costs of approximately RMB5.2 million (2021: approximately RMB3.3 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 First Quarter Fiscal 2022 of approximately RMB1.7 million (2021: income tax expenses of approximately RMB5.6 million) which mainly consisted of provision of PRC Enterprise Income Tax of approximately RMB1.8 million (2021: approximately RMB6.0 million), offset by an overprovision in prior period of approximately RMB2.6 million (2021: Nil) and deferred tax credit of approximately RMB0.9 million (2021: RMB0.4 million).

Profit attributable to owners of the Company for the First Quarter Fiscal 2022 was approximately RMB12.5 million, as compared to profit of approximately RMB9.7 million for the corresponding period in 2021.

Basic and diluted earnings per share for the First Quarter Fiscal 2022 was approximately RMB0.30 cents (2021: Basic and diluted earnings per share was approximately RMB0.23 cents).

Outlook

With effective coordination of epidemic prevention and rapid development of economy and society as well as outstanding performance of solid policies to stabilise economy, China has overcome the negative impact of unexpected factors in its economy. As a result, its economy demonstrated a steady recovery trend, and is expected to return to a reasonable range. Thanks to its prominent advantages, profound material foundation and enormous market scale accumulated in a long term, its economy scale remained considerable. According to preliminary estimates, the GDP in the first half of the year reached RMB56,264.2 billion, a year-on-year increase of 2.5% at constant prices.

As the Group's major clients are players from sectors such as finance & securities, 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 pandemic 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 livestreaming 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 is actively making preparation in the field of livestreaming e-commerce and digital marketing services, and fully integrating 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 trend. 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, and achieved constantly growing traffic placement targets month by month.

Dividends

The Board does not recommend the payment of a dividend for the First Quarter Fiscal 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 June 2022, the interests and short positions of the Directors and chief executive of the Company in the 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 were as follows:

Long positions in shares of the Company

Name of director/chief executive	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
Mr. Hu Shilong (“Mr. Hu”)	Interest of controlled corporation	274,190,219 (Note 1)	6.55%

Note:

1. These shares were held directly by NINEGO Corporation (“NINEGO”). NINEGO is held by Mr. Hu as to 40.60%. As such, Mr. Hu is 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 June 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 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 June 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	57.53%
Kang Bang Qi Hui (HK) Company Limited (“Kang Bang (HK)”) (Note 1)	Beneficial owner	455,820,525	10.88%
Tian Xi Capital Company Limited (“Tian Xi Capital”) (Note 1)	Interest of controlled corporation	2,865,644,243	68.41%
Zhong Zhi Ze Yun Capital Company Limited (“Ze Yun Capital”) (Note 1)	Interest of controlled corporation	2,865,644,243	68.41%
Mr. XIE Zhikun [#] (“Mr. Xie”) (Note 1)	Interest of controlled corporation	2,865,644,243	68.41%
NINEGO Corporation (“NINEGO”) (Note 2)	Beneficial Owner	274,190,219	6.55%
Ms. Liu Yingying (“Ms. Liu”) (Note 2)	Interest of controlled corporation	274,190,219	6.55%

[#] 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. NINEGO is held by Ms. Liu as to 59.40%. As such, Ms. Liu is 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 June 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 First Quarter Fiscal 2022.

COMPETING BUSINESS

During the First Quarter Fiscal 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 First 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.

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, 9 August 2022

As at the date of this announcement, 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 and Mr. ZENG Liang.

This announcement will remain on the ‘‘Latest Listed Company Information’’ page of the website of GEM at 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.