

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



2023

FIRST QUARTERLY REPORT



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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 RMB271.7 million for the First Quarter Fiscal 2023 (2022: approximately RMB190.0 million (restated)), representing 42.9% increase as compared to that of the corresponding period in 2022.
- Profit attributable to owners of the Company for the First Quarter Fiscal 2023 was approximately RMB11.5 million, as compared to profit of approximately RMB12.5 million for the corresponding period in 2022.
- Basic earnings per share for the First Quarter Fiscal 2023 was approximately RMB0.24 cents (2022: approximately RMB0.30 cents).
- The Board does not recommend payment of a dividend for the First Quarter Fiscal 2023 (2022: Nil).

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2023

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 2023 (the “First Quarter Fiscal 2023”), together with the comparative unaudited figures for the corresponding period in 2022, as follows:

| | Notes | Three months ended 30 June | |
|-----------------------------------------------------------------------------|-------|--------------------------------|------------------------------------------------|
| | | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited and restated) |
| Revenue | 5 | 271,656 | 190,037 |
| Cost of services | | (242,528) | (152,096) |
| Gross profit | | 29,128 | 37,941 |
| Other income and losses, net | 6 | 19,484 | 2,785 |
| Marketing expenses | | (2,193) | (1,048) |
| Research and development expenses | | (9,483) | (6,748) |
| Administrative expenses | | (21,726) | (16,574) |
| Finance costs | 7 | (5,719) | (5,160) |
| Share of loss of an associate | | – | (11) |
| Profit before tax | 8 | 9,491 | 11,185 |
| Income tax credit/(expenses) | 9 | 2,636 | 1,684 |
| Profit for the period | | 12,127 | 12,869 |
| Other comprehensive income/(loss) | | | |
| Items that may be subsequently reclassified to profit or loss: | | | |
| Exchange differences arising on translation of foreign operations | | 585 | 3,798 |
| Reclassification of translation reserve upon deregistration of a subsidiary | | (122) | – |
| Other comprehensive income for the period, net of tax | | 463 | 3,798 |
| Total comprehensive income for the period | | 12,590 | 16,667 |

Unaudited Condensed Consolidated Statement of Comprehensive Income

For the three months ended 30 June 2023

| | Notes | Three months ended 30 June | |
|----------------------------------------------------------------------------------|-------|--------------------------------|------------------------------------------------|
| | | 2023 RMB'000 (Unaudited) | 2022 RMB'000 (Unaudited and restated) |
| Profit for the period attributable to: | | | |
| Owners of the Company | | 11,487 | 12,510 |
| Non-controlling interests | | 640 | 359 |
| | | 12,127 | 12,869 |
| Total comprehensive income attributable to: | | | |
| Owners of the Company | | 11,950 | 16,308 |
| Non-controlling interests | | 640 | 359 |
| | | 12,590 | 16,667 |
| Earnings per share attributable to ordinary equity holders of the Company | | | |
| Basic and diluted (RMB cents) | 10 | 0.24 | 0.30 |

Condensed Consolidated Statement of Changes in Equity

For the three months ended 30 June 2023

| | Share capital RMB'000 (Unaudited) | Share premium RMB'000 (Unaudited) | Statutory reserve RMB'000 (Unaudited) | Revaluation reserve RMB'000 (Unaudited) | Translation reserve RMB'000 (Unaudited) | Other reserve RMB'000 (Unaudited) | Retained profits/ Accumulated losses) RMB'000 (Unaudited) | Sub-total RMB'000 (Unaudited) | Non- controlling interests RMB'000 (Unaudited) | Total RMB'000 (Unaudited) |
|----------------------------------------------|--------------------------------------------|--------------------------------------------|------------------------------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------------------------|--------------------------------------------------------------------------|-------------------------------------|------------------------------------------------------------|---------------------------------|
| At 1 April 2023 | 40,442 | 1,125,077 | 14,577 | (18,499) | 22,964 | (421) | (169,974) | 1,014,166 | 11,691 | 1,025,857 |
| Profit for the period | - | - | - | - | - | - | 11,487 | 11,487 | 640 | 12,127 |
| Other comprehensive income for the period | - | - | - | - | 463 | - | - | 463 | - | 463 |
| At 30 June 2023 | 40,442 | 1,125,077 | 14,577 | (18,499) | 23,427 | (421) | (158,487) | 1,026,116 | 12,331 | 1,038,447 |
| 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 | 35,395 | 944,878 | 12,876 | (3,235) | 23,126 | - | 74,373 | 1,087,413 | 16,274 | 1,103,687 |

Notes to the Unaudited Condensed Consolidated Financial Statements

30 June 2023

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 GEM of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The principal activity of the Company is investment holding. The Company and its subsidiaries (collectively the "Group") 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 and agency services and data centre services.

2. BASIS OF PREPARATION

The unaudited condensed consolidated financial statements for the three months ended 30 June 2023 (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").

As stated in the Group's annual financial statements for the year ended 31 March 2023, the management of the Group noted a misstatement in its consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2022. The misstatement is related to certain transactions of the Group's comprehensive marketing and agency services in which the Group acted as an agent rather than a principal based on a re-assessment of those transactions. Accordingly, the revenue and the related cost of services for the three months ended 30 June 2022 are restated and recognised in net amount instead of in gross amount. There is no impact on the earnings per share for the three months ended 30 June 2022.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 June 2023

2. BASIS OF PREPARATION (Continued)

The effects of correction of this misstatement on the Group's unaudited condensed consolidated statement of comprehensive income for the three months ended 30 June 2022 are summarised as follows:

| | As previously reported | Correction of misstatement | As restated |
|------------------|-----------------------------------|---------------------------------------|--------------------|
| | RMB'000 | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) | (Unaudited) |
| Revenue | 222,865 | (32,828) | 190,037 |
| Cost of services | 184,924 | (32,828) | 152,096 |

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 2023. 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 2023.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 June 2023

4. OPERATING SEGMENT INFORMATION

The Group is primarily engaged in the provision of value-added telecommunications and related services, including back-office services, comprehensive marketing and agency services and data centre services. Given that the chief operating decision maker of the Company considers that the Group's business is operated and managed as a single segment, no further segment information is presented.

Geographical information

Revenue from external customers

| | Three months ended 30 June | |
|----------------|----------------------------|-----------------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited and restated) |
| Mainland China | 271,656 | 190,037 |

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

Notes to the Unaudited Condensed Consolidated Financial Statements

30 June 2023

5. REVENUE

An analysis of the Group's revenue from contracts with customers arising from the value-added telecommunication and related services is as follows:

| | Three months ended 30 June | |
|-----------------------------------------------|-----------------------------------|-----------------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited and restated) |
| Back-office services: | | |
| Provision of customer service solutions | 255,773 | 177,871 |
| Set up of contact service systems and centres | – | 127 |
| | 255,773 | 177,998 |
| Comprehensive marketing and agency services | 10,512 | 5,905 |
| Data centre services | 5,371 | 6,134 |
| | 271,656 | 190,037 |

Disaggregation of the Group's revenue from contracts with customers by the timing of revenue recognition is set out below:

| | Three months ended 30 June | |
|--------------------|-----------------------------------|-----------------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited and restated) |
| Over time | 271,656 | 189,910 |
| At a point in time | – | 127 |
| | 271,656 | 190,037 |

Notes to the Unaudited Condensed Consolidated Financial Statements

30 June 2023

6. OTHER INCOME AND LOSSES, NET

| | Three months ended 30 June | |
|----------------------------------------------------------------------------------------|----------------------------|--------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Net fair value loss on financial assets at fair value through profit or loss ("FVTPL") | (750) | (308) |
| Interest income: | | |
| — Bank interest income | 264 | 172 |
| — Other interest income | 463 | 406 |
| Foreign exchange differences, net | 4,637 | (2,792) |
| Government grants and subsidies | 15,183 | 3,623 |
| Value-Add Tax ("VAT") refund | 391 | 2 |
| Gain on deregistration of a subsidiary | 122 | — |
| Others | (826) | 1,682 |
| | 19,484 | 2,785 |

7. FINANCE COSTS

| | Three months ended 30 June | |
|-----------------------------------------------------|----------------------------|--------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Interest on bank borrowings | 897 | 304 |
| Interest on other borrowings from a related company | 4,112 | 2,436 |
| Interest on lease liabilities | 604 | 420 |
| Interest on consideration payables | 106 | 2,000 |
| | 5,719 | 5,160 |

Notes to the Unaudited Condensed Consolidated Financial Statements

30 June 2023

8. PROFIT BEFORE TAX

Profit before tax has been arrived at after charging:

| | Three months ended 30 June | |
|-----------------------------------------------------------------------------------|-----------------------------------|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Directors' and chief executives' emoluments | 430 | 1,730 |
| Employee benefit expenses (excluding directors' and chief executives' emoluments) | | |
| — Salaries and other benefits | 177,950 | 105,876 |
| — Amount capitalised | (2,434) | (2,552) |
| | 175,946 | 105,054 |
| Legal and professional fees | 3,194 | 1,523 |
| Depreciation of property and equipment | 8,754 | 5,503 |
| Depreciation of right-of-use assets | 10,708 | 7,374 |
| Amortisation of intangible assets | 6,806 | 5,838 |

Notes to the Unaudited Condensed Consolidated Financial Statements

30 June 2023

9. INCOME TAX CREDIT/(EXPENSES)

Pursuant to the Corporate Income Tax Law of the People's Republic of China (the "PRC") and the respective regulations, the Group's entities which operate in Mainland China are subject to corporate income tax ("CIT") at a rate of 25% on the taxable income, except for certain subsidiaries which were entitled to a preferential tax rate of 15% because they were accredited as "High and New Technology Enterprises" and certain subsidiaries which were entitled to a preferential tax rate of 5% of the taxable income between RMB1,000,000 and RMB3,000,000 because they were regarded as "small-scaled minimal profit enterprises", one of the criteria of which is with annual taxable income no more than RMB3,000,000 during the corresponding year. No provision for Hong Kong profits tax has been made as the Group did not generate any assessable profits arising in Hong Kong during the periods.

| | Three months ended 30 June | |
|---------------------------------|-----------------------------------|-------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Current tax — Mainland China | | |
| Provision for the period | (84) | (1,875) |
| Over provision in prior periods | 1,998 | 2,635 |
| Deferred tax | 722 | 924 |
| Income tax credit/(expenses) | 2,636 | 1,684 |

Notes to the Unaudited Condensed Consolidated Financial Statements

30 June 2023

10. EARNINGS PER SHARE

The calculation of the basic earnings per share amount is based on the profit for the period attributable to owners, i.e., ordinary equity holders, of the Company of approximately RMB11,487,000 (2022: approximately RMB12,510,000), and the weighted average number of ordinary shares of 4,776,019,590 in issue during the period (2022: 4,188,519,590).

No adjustment has been made to the basic earnings per share amount presented for the three months ended 30 June 2023 in respect of a dilution because the Group had no potentially dilutive ordinary shares in issue during the three months ended 30 June 2023 (2022: Nil).

The calculations of basic and diluted earnings per share are based on:

| | Three months ended 30 June | |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------|---------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| | (Unaudited) | (Unaudited) |
| Earnings | | |
| Profit attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation | 11,487 | 12,510 |
| Number of shares | | |
| | Three months ended 30 June | |
| | 2023 | 2022 |
| Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings per share calculation | 4,776,019,590 | 4,188,519,590 |

11. DIVIDENDS

The Board does not recommend payment of a dividend for the First Quarter Fiscal 2023 (2022: Nil).

Notes to the Unaudited Condensed Consolidated Financial Statements

30 June 2023

12. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in Note 7 to the First Quarterly Financial Statements, the Group had the following transactions with related parties during the three months ended 30 June 2023 and 2022:

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 8 to the First Quarterly Financial Statements.

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 4 August 2023.

Management Discussion and Analysis

BUSINESS REVIEW

Since the beginning of this year, with the full resumption of normalised operation of China's economy and society, the policies to stabilise growth, employment and prices have gradually panned out, market demand has gradually recovered, our client service needs have also recovered and increased, and our business has taken on new challenges. We have always focused on improving customer satisfaction and promoting the healthy and sustainable development of our business. With close cooperation with our clients, we proactively and effectively ensured the stable operation of various projects, and the revenue of our principal business has increased significantly compared with that during the COVID-19 pandemic.

The Group recorded revenue of approximately RMB271.7 million in the First Quarter Fiscal 2023, a year-on-year increase of 42.9%. Specifically, the back-office services have been resuming steadily, with further consolidated leading position in advantageous fields such as the Internet and telecommunications operators. The revenue of back-office services hit approximately RMB255.8 million, accounting for 94.2% of the total revenue. In the meantime, it continuously improved its innovative business and saw substantial growth in revenue in integrated Internet marketing business, with the revenue hitting approximately RMB10.5 million, a year-on-year increase of 78.0%.

During the reporting period, the Group continued to strengthen and broaden its business relationships with leading clients in the fields of Internet mobility, finance and securities, e-commerce, and livestreaming services. Its top five clients remain fairly stable. In terms of new clients and new business development, we've put great efforts in all-industry markets with incremental shares, and increased clients in the field of Internet marketing services. Meanwhile, the Group acquired new clients in 3C and automotive industries for its self-developed intelligent software products.

In addition, the Group optimised and upgraded its self-operated contact service centres in Dalian, Chengdu and so forth during the reporting period, increasing the total number of completed workstations in 34 self-operated contact service centres to 18,075, an increase of 6,111 workstations from 11,964 workstations in the same period of 2022.

Management Discussion and Analysis

FINANCIAL REVIEW

The Group recorded a revenue of approximately RMB271.7 million for the First Quarter Fiscal 2023 (2022: approximately RMB190.0 million (restated)), representing 42.9% increase as compared to that of the corresponding period in 2022. The increase in revenue was mainly attributable to the increase in revenue generated from back-office services.

During the First Quarter Fiscal 2023, the Group incurred cost of services of approximately RMB242.5 million (2022: approximately RMB152.1 million (restated)). 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 2023 was approximately RMB19.5 million (2022: approximately RMB2.8 million). The increase was mainly attributable to increases in exchange gain and government grants and subsidies as compared to those of the corresponding period in 2022.

The Group incurred marketing, research and development expenses of approximately RMB11.7 million (2022: approximately RMB7.8 million) in aggregate during the First Quarter Fiscal 2023. The increase was mainly attributable to the increase in staff costs during the First Quarter Fiscal 2023.

Administrative expenses for the First Quarter Fiscal 2023 increased to approximately RMB21.7 million (2022: approximately RMB16.6 million) which was mainly attributable to general increases in expenses as compared to those of the corresponding period in 2022.

During the First Quarter Fiscal 2023, the Group incurred finance costs of approximately RMB5.7 million (2022: approximately RMB5.2 million) which mainly consisted of interests on bank and other borrowings, lease liabilities and consideration payables arising from the acquisition of KingNine Holdings Limited.

The Group recorded an income tax credit for the First Quarter Fiscal 2023 of approximately RMB2.6 million (2022: approximately RMB1.7 million) which mainly consisted of provision of PRC Enterprise Income Tax of approximately RMB0.1 million (2022: approximately RMB1.8 million), offset by an overprovision in prior periods of approximately RMB2.0 million (2022: approximately RMB2.6 million) and deferred tax credit of approximately RMB0.7 million (2022: approximately RMB0.9 million).

Profit attributable to owners of the Company for the First Quarter Fiscal 2023 was approximately RMB11.5 million, as compared to profit of approximately RMB12.5 million for the corresponding period in 2022.

Management Discussion and Analysis

Basic earnings per share for the First Quarter Fiscal 2023 was approximately RMB0.24 cents (2022: approximately RMB0.30 cents).

OUTLOOK

Since the beginning of 2023, the global economy has seen sluggish recovery, global inflation has remained relatively high, and the spillover effects of tightening monetary policies in major economies have become obvious. In the face of a complex and severe international environment and arduous tasks in domestic reform, development, and stability, China prioritised stability and sought progress while maintaining stability. The order of production and life was restored at an accelerated pace, the economy and society fully returned to normal operation, production demand stabilised and rebounded, employment and prices stayed generally stable, residents' income continued to increase, market expectations improved significantly, the service industry and consumption recovered faster, and the overall economic operation picked up. According to preliminary estimates, China's GDP in the first half of 2023 reached RMB59,303.4 billion, a year-on-year increase of 5.5% at constant prices, 1.0 percentage point higher than that in the first quarter of 2023.

The service industry accommodates the most jobs among all industries in China. The stabilisation and improvement of the service industry marks enhanced market expectations. The service sector grew fast in the first half of this year and services involving contacts and gatherings improved significantly. According to the National Bureau of Statistics, the value added of the service sector grew by 6.4% year on year in the first half of 2023, 1.0 percentage points higher than that in the first quarter of 2023. Specifically, the value added of the information transmission, software and information technology services, and the leasing and business services, in which the Group is engaged, increased by 12.9% and 10.1% respectively.

Cross-industry or intra-industry integration is an irreversible trend of industrial change in the new era of technological revolution and the digital economy, and new forms of the service sector are developing vigorously. A series of policies launched for the entertainment and media industry and its sub-sectors have deepened the integration of new technologies with the industries, and new scenes of consumption have been created and expanded through digital empowerment and the integration of business, tourism, culture and sports. The new service industry is bursting with new vitality as consumer dynamics continue to be stimulated. As the Group's major clients are players from sectors such as finance & securities, telecommunications 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, shopping and so forth will further promote the booming development of Internet sector companies, which are expected to bring the Group's business more opportunities for rapid growth.

Management Discussion and Analysis

We will pay close attention to the impact of macro policies on our clients' businesses, and maintain close communication with clients. We will take diversified measures to make active responses and step up presence in the field of back-office services. While consolidating the operational business of existing clients, we 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 our business presence in China, in a bid to realise healthy growth.

DIVIDENDS

The Board does not recommend the payment of a dividend for the First Quarter Fiscal 2023 (2022: 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 2023, 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 June 2023, 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 | 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.

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

Save as disclosed above, as at 30 June 2023, 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 2023.

COMPETING BUSINESS

During the First Quarter Fiscal 2023, 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

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.

EVENT AFTER THE REPORTING PERIOD

Unless otherwise defined herein, all capitalised terms used in this section shall have same meanings as those defined in the announcement of the Company published in the evening on 26 July 2023 (the "Announcement").

As disclosed in the Announcement, Zhongzhi Xinzhuo and Kang Bang (HK), both are Shareholders holding 2,409,823,718 Shares (representing approximately 50.46% shareholding interest in the Company) and 455,820,525 Shares (representing approximately 9.54% shareholding interest in the Company) respectively, as at the date of the Announcement, were in discussion with Mr. Hu for entrusting the voting rights of all the Shares held by Zhongzhi Xinzhuo and Kang Bang (HK) (the "Entrusted Shares") to Mr. Hu. The economic interests and the beneficial ownership of the Entrusted Shares will remain with Zhongzhi Xinzhuo and Kang Bang (HK). If the Possible Voting Entrustments materialises, it will lead to a mandatory general offer under Rule 26.1 of the Takeovers Code. As at the date of this report, no formal agreements have been entered into in respect of the Possible Voting Entrustments, and the discussion is still in progress and the Possible Voting Entrustments may or may not proceed. Please refer the Announcement for details.

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

Hong Kong, 4 August 2023

As at the date of this report, the executive Directors are Mr. QIU Xiaojian (Chairman) and Mr. LI Xiang; and the independent non-executive Directors are Mr. Stephen MARKSCHEID, Mr. ZHANG Weidong, Mr. ZENG Liang and Mr. WANG Li.