

KINGWISOFT TECHNOLOGY GROUP COMPANY LIMITED



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

Stock Code : 08295

2024 INTERIM 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 RMB603.2 million for the Interim Period 2024 (2023: approximately RMB573.4 million), representing 5.2% increase as compared to that of the corresponding period in 2023.
- Loss attributable to owners of the Company for the Interim Period 2024 was approximately RMB52.1 million as compared to profit of approximately RMB11.5 million recorded for the corresponding period in 2023.
- Basic and diluted loss per share for the Interim Period 2024 was approximately RMB1.09 cents (2023: Basic and diluted earnings per share was approximately RMB0.24 cents).
- Total assets as at 30 September 2024 was approximately RMB1,219.6 million (31 March 2024: approximately RMB1,278.3 million). Net assets value as at 30 September 2024 was approximately RMB769.9 million (31 March 2024: approximately RMB820.7 million).
- The Board does not recommend payment of an interim dividend for the Interim Period 2024 (2023: Nil).

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2024

The board (the “Board”) of directors (the “Directors”) of Kingwisoft Technology Group Company Limited 金慧科技集團股份有限公司 (the “Company”) is pleased to present the condensed consolidated results of the Company and its subsidiaries (collectively, the “Group”) for the six months ended 30 September 2024 (the “Interim Period 2024”), together with the comparative unaudited figures for the corresponding periods in 2023, as follows:

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2024

	Notes	Six months ended 30 September 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Revenue	5	603,208	573,352
Cost of services		(595,060)	(517,040)
Gross profit		8,148	56,312
Other income and gains	6	14,178	25,926
Marketing expenses		(3,654)	(4,385)
Research and development expenses		(24,761)	(17,465)
Administrative expenses		(43,577)	(41,898)
Provision of expected credit income/(loss) on accounts and other receivables, net		561	(14)
Finance costs	7	(9,330)	(10,697)
Profit/(loss) before tax	8	(58,435)	7,779
Income tax credit	9	7,660	1,891
Profit/(loss) for the period		(50,775)	9,670
Other comprehensive income/(loss)			
Items that may be subsequently reclassified to profit or loss:			
Exchange differences arising on translation of foreign operations		–	546
Reclassification of translation reserve upon deregistration of a subsidiary		–	(122)
Other comprehensive income for the period, net of tax		–	424
Total comprehensive income/(loss) for the period		(50,775)	10,094

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the six months ended 30 September 2024

	Notes	Six months ended 30 September 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
Profit/(loss) for the period attributable to:			
Owners of the Company		(52,142)	11,525
Non-controlling interests		1,367	(1,855)
		(50,775)	9,670
Total comprehensive income/(loss) for the period attributable to:			
Owners of the Company		(52,142)	11,949
Non-controlling interests		1,367	(1,855)
		(50,775)	10,094
Earnings/(loss) per share attributable to ordinary equity holders of the Company			
Basic and diluted (RMB cents)	10	(1.09)	0.24

Condensed Consolidated Statement of Financial Position

As at 30 September 2024

		30 September 2024	31 March 2024
	<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NON-CURRENT ASSETS			
Property and equipment	12	78,069	94,313
Investment properties		13,634	12,020
Right-of-use assets		68,518	68,819
Goodwill		56,742	56,742
Other intangible assets		151,165	162,143
Investment in an associate		27,652	27,652
Prepayments, other receivables and other assets		11,760	3,750
Deferred tax assets		18,371	15,083
Total non-current assets		425,911	440,522
CURRENT ASSETS			
Inventories		83	24
Accounts receivable	13	601,370	668,208
Prepayments, other receivables and other assets		98,363	77,881
Financial assets at fair value through profit or loss		3,812	4,812
Prepaid tax		–	414
Restricted cash		–	594
Pledged deposits		3,925	3,157
Cash and cash equivalents		86,087	82,673
Total current assets		793,640	837,763
CURRENT LIABILITIES			
Accounts payable	14	14,851	28,639
Other payables and accruals		112,642	103,368
Contract liabilities		386	1,029
Consideration payables		–	28,038
Interest-bearing bank and other borrowings		230,866	198,044
Lease liabilities		27,716	22,448
Tax payable		695	6,412
Total current liabilities		387,156	387,978

Condensed Consolidated Statement of Financial Position

As at 30 September 2024

	30 September 2024	31 March 2024
<i>Notes</i>	RMB'000 (Unaudited)	RMB'000 (Audited)
NET CURRENT ASSETS	406,484	449,785
TOTAL ASSETS LESS CURRENT LIABILITIES	832,395	890,307
NON-CURRENT LIABILITIES		
Other payables and accruals	533	1,147
Lease liabilities	40,070	45,020
Deferred tax liabilities	21,876	23,449
Total non-current liabilities	62,479	69,616
Net assets	769,916	820,691
EQUITY		
Equity attributable to owners of the Company		
Share capital	40,442	40,442
Reserves	724,017	776,159
	764,459	816,601
Non-controlling interests	5,457	4,090
Total equity	769,916	820,691

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 September 2024

	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 2024	40,442	1,125,077	21,270	(18,499)	23,337	(421)	(374,605)	816,601	4,090	820,691
Profit for the period	-	-	-	-	-	-	(52,142)	(52,142)	1,367	(50,775)
Other comprehensive income for the period	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	(52,142)	(52,142)	1,367	(50,775)
At 30 September 2024	40,442	1,125,077	21,270	(18,499)	23,337	(421)	(426,747)	764,459	5,457	769,916
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	-	-	-	-	-	-	11,525	11,525	(1,855)	9,670
Other comprehensive income for the period	-	-	-	-	424	-	-	424	-	424
Total comprehensive income for the period	-	-	-	-	424	-	11,525	11,949	(1,855)	10,094
At 30 September 2023	40,442	1,125,077	14,577	(18,499)	23,388	(421)	(158,449)	1,026,115	9,836	1,035,951

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 September 2024

	Six months ended 30 September 2024 RMB'000 (Unaudited)	2023 RMB'000 (Unaudited)
NET CASH FROM OPERATING ACTIVITIES	52,996	22,630
INVESTING ACTIVITIES		
Purchase of property and equipment	(29,844)	(20,289)
Proceeds from disposal of property and equipment	283	18
Development costs paid	(3,493)	(7,921)
Interest received	386	1,386
Dividend income received	-	6
Payment of consideration payables	(28,733)	(28,519)
Proceeds from disposal of an associate	700	-
NET CASH USED IN INVESTING ACTIVITIES	(60,701)	(55,319)
FINANCING ACTIVITIES		
Finance costs paid	(92)	(2,462)
Repayment of lease liabilities	(13,581)	(20,282)
New borrowings	25,000	-
Repayment of borrowings	-	(14,000)
CASH FROM (USED IN) FINANCING ACTIVITIES	11,327	(36,744)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	3,622	(69,433)
Cash and cash equivalents at 1 April	86,424	163,697
Effect of exchange rates changes on cash and cash equivalents, net	(34)	378
CASH AND CASH EQUIVALENTS AT 30 SEPTEMBER	90,012	94,642
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS		
Cash and cash equivalents as stated in the condensed consolidated statement of financial position and condensed consolidated statement of cash flows	90,012	94,642

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

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 Unit 1608, Level 16, Tower 1, Grand Century Place, 193 Prince Edward Road West, Mongkok, Kowloon, 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 of the Group for the six months ended 30 September 2024 (the "Interim Financial Statements") have been prepared in accordance with the Hong Kong Accounting Standards 34 ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as the applicable disclosure requirements of the GEM Listing Rules.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of new/amended Hong Kong Financial Reporting Standards (“HKFRS”), the accounting policies and methods of computation used in the Interim Financial Statements are the same as those presented in the Group’s annual financial statements for the year ended 31 March 2024 (“Annual Financial Statements”). The Interim Financial Statements should be read, where relevant, in conjunction with the Annual Financial Statements.

In the current period, the Group has adopted all the new and revised HKFRSs issued by the HKICPA that are relevant to its operations and effective for its accounting year beginning on 1 April 2024. HKFRSs comprise Hong Kong Financial Reporting Standards (“HKFRS”); Hong Kong Accounting Standards (“HKAS”); and Interpretations issued by the HKICPA. The adoption of these new and revised HKFRSs did not have any significant effect on the unaudited condensed consolidated financial statements.

A number of new standards and amendments to standards are effective for annual periods beginning after 1 April 2024 and earlier application is permitted. The Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

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

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

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

	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Mainland China	603,208	573,352

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

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

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:

	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Back-office services:		
Provision of customer service solutions	589,163	538,850
Set up of contact service systems and centres	–	130
	589,163	538,980
Comprehensive marketing and agency services	2,163	23,181
Data centre services	11,882	11,191
	603,208	573,352

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

	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Over time	603,208	573,222
At a point in time	–	130
	603,208	573,352

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

6. OTHER INCOME AND GAINS

	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Net fair value loss on financial assets at fair value through profit or loss ("FVTPL")	-	(1,144)
Dividend income	-	6
Interest income:		
— Bank interest income	386	466
— Other interest income	787	920
Foreign exchange difference, net	42	4,700
Government grants and subsidies	10,358	19,274
Value-Add Tax ("VAT") refund	1,668	481
Gain on deregistration of a subsidiary	-	122
Others	937	1,101
Total	14,178	25,926

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

7. FINANCE COSTS

	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Interest on bank borrowings	92	1,076
Interest on other borrowings from a related company	7,822	8,059
Interest on lease liabilities	1,274	1,386
Interest on consideration payable	142	176
	9,330	10,697

8. PROFIT/(LOSS) BEFORE TAX

Profit/(loss) before tax has been arrived at after charging:

	Six months ended	
	30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Directors' and chief executives' emoluments	1,709	871
Employee benefit expenses (excluding directors' and chief executives' emoluments)		
— Salaries and other benefits	423,065	370,280
— Amount capitalised	(3,493)	(5,740)
	421,281	365,411
Legal and professional fees	1,806	5,499
Depreciation of property and equipment	21,752	18,896
Depreciation of right-of-use assets	20,135	21,902
Amortisation of intangible assets	14,810	13,740

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

9. INCOME TAX CREDIT

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.

	Six months ended	
	30 September	
	2024	2023
	RMB’000	RMB’000
	(Unaudited)	(Unaudited)
Current tax — Mainland China		
Provision for the period	(1,650)	(756)
Over provision in prior periods	4,467	2,023
Deferred tax	4,843	624
Income tax credit	7,660	1,891

10. EARNINGS/(LOSS) PER SHARE

The calculation of the basic earnings/(loss) per share amount is based on the profit/loss for the period attributable to owners, i.e., ordinary equity holders, of the Company and the weighted average number of ordinary shares in issue during the period.

No adjustment has been made to the basic earnings/(loss) per share amount presented for the six months ended 30 September 2024 in respect of a dilution because the Group had no potentially dilutive ordinary shares in issue during the six months ended 30 September 2024 (2023: Nil).

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

10. EARNINGS/(LOSS) PER SHARE (Continued)

The calculations of basic and diluted earnings/(loss) per share are based on:

	Six months ended 30 September	
	2024	2023
	RMB'000	RMB'000
	(Unaudited)	(Unaudited)
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings/(loss) per share calculation	(52,142)	11,525

	Number of shares Six months ended 30 September	
	2024	2023
	'000	'000
Shares		
Weighted average number of ordinary shares in issue during the period used in the basic and diluted earnings/(loss) per share calculation	4,776,020	4,776,020

11. DIVIDENDS

The Board does not recommend the payment of an interim dividend for the six months ended 30 September 2024 (2023: Nil).

12. PROPERTY AND EQUIPMENT

During the six months ended 30 September 2024, the Group acquired items of property and equipment with a cost of approximately RMB29,844,000 (2023: RMB20,289,000).

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

13. ACCOUNTS RECEIVABLE

	At 30 September 2024 RMB'000 (Unaudited)	At 31 March 2024 RMB'000 (Audited)
Accounts receivable	612,426	680,710
Impairment	(11,056)	(12,502)
Net carrying amount	601,370	668,208

The Group generally allows a credit period of within three months to its customers upon issuance of customer billings. The directors of the Company are of the view that there have been no significant increase in credit risk of default because the amounts are from customers with good credit rating and continuous repayment. Before accepting any new customer, the Group assesses the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed periodically. The Group does not hold any collateral or other credit enhancements over its accounts receivable balances. Accounts receivable are non-interest-bearing.

An ageing analysis of the accounts receivable as at the end of the reporting period, based on the date of services rendered and net of loss allowance for impairment, is as follows:

	At 30 September 2024 RMB'000 (Unaudited)	At 31 March 2024 RMB'000 (Audited)
0–60 days	189,693	204,455
61–120 days	180,226	178,874
121–180 days	37,553	56,900
Over 180 days	193,898	227,979
Total	601,370	668,208

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

14. ACCOUNTS PAYABLE

An ageing analysis of the accounts payable as at the end of the reporting period, based on the date of service received, is as follows:

	At 30 September 2024 RMB'000 (Unaudited)	At 31 March 2024 RMB'000 (Audited)
0–60 days	6,912	7,487
61–120 days	3,774	11,648
121–180 days	145	826
Over 180 days	4,020	8,678
Total	14,851	28,639

The average credit period on accounts payable is 30 days. The accounts payable are non-interest-bearing.

15. SHARE CAPITAL

	Number of shares	Amount RMB'000
Ordinary shares of HK\$0.01 each Authorised: As at 1 April 2023, 30 September 2023, 1 April 2024 and 30 September 2024	10,000,000,000	87,661
Issued and fully paid: As at 30 September 2023, 1 April 2024 and 30 September 2024	4,776,019,590	40,442

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

16. RELATED PARTY TRANSACTIONS

In addition to the transactions detailed in Note 7 to the Interim Financial Statements, the Group had the following transactions and balances with related parties:

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

The directors and chief executives of the Company are the key management personnel of the Group. Details of their remuneration are disclosed in Note 8 to the Interim Financial Statements.

(b) Borrowings from related companies

In August 2024, the Company and NINEGO Corporation, an entity held by Mr. Hu Shilong and Ms. Liu Yingying, entered into a loan agreement pursuant to which NINEGO Corporation agreed to provide a loan of RMB20,000,000 to the Company for its working capital purpose. The borrowing was interest-free, unsecured and due to mature on 4 August 2025.

In August 2024, the Company and FUNGHWA Ltd., an entity held by Ms. Zhou Fang, entered into a loan agreement pursuant to which FUNGHWA Ltd. agreed to provide a loan of RMB5,000,000 to the Company for its working capital purpose. The borrowing was interest-free, unsecured and due to mature on 4 August 2025.

As at 30 September 2024, the carrying amount of the other borrowings from related companies of the Company amounted to approximately RMB225,866,000 (31 March 2024: approximately RMB193,044,000).

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

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

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

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

During the six months ended 30 September 2024 and year ended 31 March 2024, there were no transfers between Level 1, Level 2 and Level 3.

Notes to the Unaudited Condensed Consolidated Financial Statements

30 September 2024

17. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS (Continued)

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

Fair value hierarchy as at 30 September 2024

	Level 1 RMB'000 (Unaudited)	Level 2 RMB'000 (Unaudited)	Level 3 RMB'000 (Unaudited)	Total RMB'000 (Unaudited)
Financial assets				
Financial assets at fair value				
through profit or loss	–	–	3,812	3,812
	–	–	3,812	3,812

Fair value hierarchy as at 31 March 2024

	Level 1 RMB'000 (Audited)	Level 2 RMB'000 (Audited)	Level 3 RMB'000 (Audited)	Total RMB'000 (Audited)
Financial assets				
Financial assets at fair value				
through profit or loss	–	–	4,812	4,812
	–	–	4,812	4,812

18. APPROVAL OF THE INTERIM FINANCIAL STATEMENTS

The Interim Financial Statements were approved and authorised for issue by the Board on 15 November 2024.

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2024, the momentum of global economic growth was weak, geopolitical conflicts and international trade frictions continued, and the complex and severe external environment and uncertainties had a continuous impact. Although external uncertainties, insufficient effective demand, weak social expectations and other problems faced by the domestic economic operation still exist, supported by the continuous release of macro-policy effects, increasing external demand, accelerated development of new quality productive force and other factors, the domestic economy has recovered to a positive trend. The overall economy has been stable and progressing, driving steady construction of new quality productive force and solidifying high-quality development. Most of the indicators of production and demand have improved in September, depicting that the service sector has continued to recover, in which the indexes of business activities for industries such as the information transmission, software and information technology service sector, and the leasing and business service sector, etc., have reached a high level of 55.0% or above. Market expectations have improved and more positive factors have been accumulated to promote the economic recovery.

Complex and volatile global situations as well as other factors brought pressure and challenges to business activities. Meanwhile, the accelerated emergence of new technologies and iteration drove the business sector to a new stage of development, where the rapid development and application of cutting-edge technologies, such as artificial intelligence, digital human, and large model, have exerted a negative influence on existing business models while bringing new opportunities to create new growth for enterprises and industries. This has given rise to opportunities and changes in the demand for services under new business formats. In the face of the fast-changing macro-environmental market, the Group has been actively adapting to changes and has always insisted on improving customer satisfaction and the healthy and sustainable development of its business. With established digital service capabilities, the Group continued to tap into the field of enterprise services and expanded new service scenarios, to consolidate its leading edge in the industry. The Group has also endeavoured to embrace the cutting-edge technologies such as AI with continuous efforts on innovation and application of technologies to provide customers with professional services. The Group aims to ensure the smooth operation of its business and the growth of its operating revenue.

The Group's revenue for the six months ended 30 September 2024 amounted to approximately RMB603.2 million, representing an increase of 5.2% over the same period last year. In particular, revenue from back-office services was RMB589.2 million, accounting for 97.7% of our total revenue. Insisting on innovation is a long-term strategy of the Group. With the changes in consumer habits and behaviours brought about by the gradual recovery of the economy, the innovative business has continued to improve.

Management Discussion and Analysis

During the reporting period, we continued to strengthen and broaden our business relationships with leading clients in the fields of Internet, finance and securities, manufacturing, retail, logistics. Our top five clients remain fairly stable, including a large commercial bank. Meanwhile, in terms of new clients and new business development, we have acquired a number of clients and service projects in the areas of data annotation, auditing and commercialisation services through deepening our efforts in the enterprise service market.

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 enterprise 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, by virtue of its quality professional services and leading innovation capability, the Group's companies obtained 1 new invention patent and a number of software copyrights which are closely related to the Group's business, with a cumulative total of 4 invention patents and 314 software copyrights. The Group's companies were awarded as the Quality Benchmarking Enterprise of Liaoning Province, and once again obtained the Second Prize for Enterprise Management Innovation Achievement in Liaoning Province. In addition, a number of the Group's companies were awarded the Science and Technology Small and Medium-sized Enterprises, which signifies that the Group's continuous research and development of technologies based on scenarios and its service ability of assisting in the digital transformation of enterprises has entered into a brand-new stage.

Furthermore, the Company actively responded to the business changes brought about by new technologies such as artificial intelligence and made preparations for expansion and upgrading in advance in terms of personnel, equipment and working environment. During the reporting period, the Group built and reconstructed a number of self-operated contact service centres in places such as Dalian, Yibin, Puyang, etc. The total number of completed workstations in the 46 self-operated contact service centres amounted to 18,350. The Group has developed a capability that serves a multi-dimensional network covering tier 1 to tier 4 cities and is able to fully satisfy the Company's business requirements in new service scenarios.

Management Discussion and Analysis

FINANCIAL REVIEW

The Group recorded a revenue of approximately RMB603.2 million for the Interim Period 2024 (2023: approximately RMB573.4 million), representing 5.2% increase as compared to that of the corresponding period in 2023. The increase in revenue was mainly attributable to the increase in revenue generated from back-office services.

During the Interim Period 2024, the Group incurred cost of services of approximately RMB595.1 million (2023: approximately RMB517.0 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 Interim Period 2024 was approximately RMB14.2 million (2023: approximately RMB25.9 million). The decrease in net other income was mainly attributable to the decrease in government grants and subsidies as compared to that of the corresponding period in 2023.

The Group incurred marketing, research and development expenses of approximately RMB28.4 million (2023: approximately RMB21.9 million) in aggregate during the Interim Period 2024. The increase was mainly attributable to the increase in staff costs during the Interim Period 2024.

Administrative expenses for the Interim Period 2024 increased to approximately RMB43.6 million (2023: approximately RMB41.9 million) which was mainly attributable to general increases in expenses as compared to those of the corresponding period in 2023.

During the Interim Period 2024, the Group incurred finance costs of approximately RMB9.3 million (2023: approximately RMB10.7 million) which mainly consisted of interests on bank and other borrowings, lease liabilities and consideration payable arising from the acquisition of KingNine Holdings Limited.

The Group recorded an income tax credit for the Interim Period 2024 of approximately RMB7.7 million (2023: approximately RMB1.9 million) which mainly consisted of provision of PRC Enterprise Income Tax of approximately RMB1.7 million (2023: approximately RMB0.8 million), offset by an overprovision in prior period of approximately RMB4.5 million (2023: RMB2.0 million) and deferred tax credit of approximately RMB4.8 million (2023: approximately RMB0.7 million).

Management Discussion and Analysis

Loss attributable to owners of the Company for the Interim Period 2024 was approximately RMB52.1 million, whereas the Group recorded a profit attributable to owners of the Company of approximately RMB11.5 million for the corresponding period in 2023.

Basic loss per share for the Interim Period 2024 was approximately RMB1.09 cents (2023: Basic earnings per share was approximately RMB0.24 cents).

Total assets as at 30 September 2024 was approximately RMB1,219.6 million (31 March 2024: approximately RMB1,278.3 million). Net assets value as at 30 September 2024 was approximately RMB769.9 million (31 March 2024: approximately RMB820.7 million).

Capital Structure, liquidity and financial resources

The Board monitors the Group's capital structure by reviewing its cash flow requirements and considering its future financial obligations and commitments.

The Group's operation and investments were financed by internal resources as well as interest-bearing bank and other borrowings.

As at 30 September 2024, aggregate of cash and bank balances and pledged bank deposits of the Group amounted to approximately RMB90.1 million (31 March 2024: approximately RMB86.4 million), which were mainly denominated in Renminbi ("RMB") and Hong Kong dollar.

As at 30 September 2024, the Group had interest-bearing bank and other borrowings of approximately RMB230.9 million (31 March 2024: approximately RMB198.0 million), which were mainly denominated in RMB. All interest-bearing bank and other borrowings are repayable within one year.

As at 30 September 2024, the Group had a current ratio of 2.0 and a gearing ratio of 30.0% (31 March 2024: 2.2 and 24.0%, respectively). The gearing ratio is computed by dividing the Group's interest-bearing bank and other borrowings of approximately RMB230.9 million (31 March 2024: approximately RMB198.0 million) by the Group's equity of approximately RMB769.9 million (31 March 2024: approximately RMB820.7 million).

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

Management Discussion and Analysis

Commitments

The Group and the Company did not have any significant commitment as at 30 September 2024 and 31 March 2024.

Employees and remuneration policies

As of 30 September 2024, the Group employed 14,201 employees including Directors (31 March 2024: 13,446). Total staff costs (including Directors' emoluments) for the Interim Period 2024 amounted to approximately RMB424.8 million (2023: approximately RMB371.2 million). Employees' remuneration packages are decided based on their job responsibilities, local market benchmarks and industry trends. Employee discretionary bonus is distributable according to the performance of the respective subsidiaries and employees concerned.

Charge on the Group's assets

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

Contingent liabilities

As at 30 September 2024, the Group had no material contingent liabilities (31 March 2024: Nil).

Material acquisitions and disposals of subsidiaries and affiliated companies

The Group had no material acquisitions and disposals of subsidiaries and affiliated companies during the Interim Period 2024.

Future plans for material investments or capital assets

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

Management Discussion and Analysis

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

FUTURE OUTLOOK

In an overview of the domestic and global situation, as the complexity, severity and uncertainty of the international situation are increasing, the further recovery of the domestic economy is subject to the difficulties and challenges such as insufficient effective demand, overcapacity in some industries, weak social expectations, and still more risks and potential dangers. To this end, the Company will pay close attention to the trend of macroeconomic development, continue to firmly implement its strategy of business innovation and synergistic development, maintain an entrepreneurial mindset, enhance its overall competitive advantages and proactively respond to changes in the external environment.

Cross-industry or intra-industry integration is an irreversible trend of industrial change in the era of the new technological revolution and digital economy, and is also the inevitable path of modern industrial development and evolution. Digital technology is innovating the consumer scene, stimulating consumer vitality, profoundly changing consumer behaviour, and bringing innovative business models. Meanwhile, with the accumulative consumer demand releasing, emerging sectors of the service industry have shown active development.

As the Group's major clients are players from various service industries such as finance and securities, operators and Internet, they are expected to recover rapidly with the continued economic recovery and the gradual rise of new endogenous momentum. However, we will still face some difficulties and challenges such as insufficient effective demand and increasingly complicated, severe and uncertain external environment. At the same time, we also see that AI technology is undergoing rapid and profound evolution. The enterprise service industry we are involved in has significant opportunities for development within an intelligent digital space. We will pay close attention to the impact of macro policies and emerging technologies on our clients' businesses, and maintain close communication with clients. We will take diversified measures to make active responses. Meanwhile, we will actively explore and seek new business opportunities in the financial industry and the Internet industry, actively grasp the good opportunities for business development. In addition, we will effectively expand its business presence in China and enhance technology empowerment, through which drive business innovation and improve profitability, to realise healthy growth, thereby enhancing shareholder value.

Management Discussion and Analysis

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 will continue to expand in the field of digital marketing services and fully integrate with its existing Internet marketing and promotion capabilities and experience. In exploring the integration of quality and effectiveness, the Group will actively promote the integration and linkage of marketing and back-office services. 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 in this business segment. The Company 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 an interim dividend for the Interim Period 2024 (2023: Nil).

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

As at 30 September 2024, 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 share 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") (Note 1 & 2)	Interest of controlled corporation	212,640,219	4.45%
	Interest of a party to a voting rights entrustment deed	2,865,644,243	60.00%
Ms. Zhou Fang ("Ms. Zhou") (Note 3)	Interest of controlled corporation	113,560,919	2.38%

Notes:

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 212,640,219 shares of the Company held by NINEGO by virtue of the SFO.

Other Information

- On 28 August 2023, Mr. Hu, Zhong Zhi Xin Zhuo Capital Company Limited (“Zhongzhi Xinzhuo”) and Kang Bang Qi Hui (HK) Company Limited (“Kang Bang (HK)”) entered into a voting rights entrustment deed, pursuant to which each of Zhongzhi Xinzhuo and Kang Bang (HK) has entrusted the voting rights over all of its 2,409,823,718 shares of the Company and 455,820,525 shares of the Company respectively to Mr. Hu. As such, Mr. Hu 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.
- These shares were held directly by FUNGHWA Ltd. (“FUNGHWA”). FUNGHWA is held by Ms. Zhou as to 100%. As Such, Ms. Zhou is deemed to be interested in 113,560,919 shares of the Company held by FUNGHWA by virtue of the SFO.

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

As at 30 September 2024, 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%

Other Information

Name of shareholder	Capacity	Number of shares held	Approximate percentage of shareholding in the Company
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	212,640,219	4.45%
Ms. Liu Yingying ("Ms. Liu") (Note 3)	Interest of controlled corporation	212,640,219	4.45%

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

Notes:

- 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.
- 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.
- NINEGO is held by Ms. Liu as to 59.40%. As such, Ms. Liu is deemed to be interested in 212,640,219 shares of the Company held by NINEGO by virtue of the SFO.

Other Information

Save as disclosed above, as at 30 September 2024, the Directors were not aware of any other person (other than the Directors and chief executive of the Company) who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, or who was directly or indirectly interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities during the Interim Period 2024.

COMPETING BUSINESS

During the Interim Period 2024, 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.

CODE OF CONDUCT REGARDING SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct regarding securities transactions by the Directors on terms no less exacting than the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules. The Company had made specific enquiries to all the relevant Directors who confirmed their compliance with the required standard of dealings and the code of conduct regarding securities transactions by the Directors throughout the Interim Period 2024. No incident of non-compliance was noted by the Company during the Interim Period 2024.

Other Information

CORPORATE GOVERNANCE

The Company has applied the principles and complied with all code provisions set out in the Corporate Governance Code (“CG Code”) contained in Appendix C1 of the GEM Listing Rules throughout the Interim Period 2024.

REVIEW OF UNAUDITED FINANCIAL RESULTS

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

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

Hong Kong, 15 November 2024

As at the date of this report, the executive Directors are Mr. QIU Xiaojian (Chairman), Mr. LI Xiang, Mr. HU Shilong, Ms. ZHOU Fang, Ms. LIU Xiaochen, Mr. XU Gang and Mr. WANG Rui; and the independent non-executive Directors are Mr. ZENG Liang, Mr. WANG Li, Mr. YANG Hongjun and Ms. LI Guiying.