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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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 MARCH 2023

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.

FINANCIAL HIGHLIGHTS

- The Group recorded a revenue of approximately RMB888.6 million for the Year (2022: approximately RMB734.0 million (restated)), representing 21.1% increase as compared to that of last financial year.

- Loss attributable to owners of the Company for the Year was approximately RMB230.1 million, whereas the Group recorded a profit attributable to owners of the Company of approximately RMB80.4 million for the last financial year.

- Basic losses per share for the Year was approximately RMB5.03 cents (2022: Basic earnings per share approximately RMB1.92 cents).

- The Board does not recommend payment of a dividend for the Year (2022: Nil).

ANNUAL RESULTS

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 (formerly known as ZZ Technology Group Company Limited 中植科技集團股份有限公司) (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 March 2023 (the "Year"), together with the relevant comparative figures for the previous financial year as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 March 2023

	Notes	**2023** ***RMB'000***	2022 *RMB'000* (Restated)
CONTINUING OPERATIONS			
REVENUE	*4*	**888,622**	734,021
Cost of services		**(767,384)**	(546,947)
Gross profit		**121,238**	187,074
Other income and gains	*5*	**160,801**	31,655
Marketing expenses		**(5,876)**	(9,235)
Research and development expenses		**(36,394)**	(28,114)
Administrative expenses		**(85,681)**	(87,654)
Impairment loss of goodwill		**(349,385)**	–
Impairment losses on financial assets, net		**(17,293)**	(12,542)
Gain on recovery of accounts receivables written-off		**1,497**	5,980
Gain on derecognition of financial assets measured at amortised cost		**–**	13,936
Other expenses and losses		**(380)**	–
Finance costs	*6*	**(25,471)**	(17,067)
Share of loss of an associate		**(12)**	(17)
PROFIT/(LOSS) BEFORE TAX	*7*	**(236,956)**	84,016
Income tax credit/(expense)	*8*	**942**	(12,886)
PROFIT/(LOSS) FOR THE YEAR FROM CONTINUING OPERATIONS		**(236,014)**	71,130

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
DISCONTINUED OPERATIONS		
Profit for the year from discontinued operations	**–**	5,825
PROFIT/(LOSS) FOR THE YEAR	**(236,014)**	76,955
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of subsidiaries not established in Mainland China	**3,636**	(5,143)
Reclassification of translation reserve upon disposal of subsidiaries not established in Mainland China	**–**	(5,265)
Deregistration of subsidiaries not established in Mainland China	**–**	1,259
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**3,636**	(9,149)
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Fair value loss on equity investments designated at fair value through other comprehensive income	**(15,264)**	–
Net other comprehensive loss that will not be reclassified to profit or loss in subsequent periods	**(15,264)**	–
OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX	**(11,628)**	(9,149)
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**(247,642)**	67,806

	Notes	**2023** **RMB'000**	2022 RMB'000 (Restated)
Profit/(loss) for the year attributable to:			
Owners of the Company			
from continuing operations		**(230,136)**	74,525
from discontinued operations		**–**	5,825
		(230,136)	80,350
Non-controlling interests			
from continuing operations		**(5,878)**	(3,395)
		(236,014)	76,955
Total comprehensive income/(loss) for the year attributable to:			
Owners of the Company			
from continuing operations		**(241,764)**	68,596
from discontinued operations		**–**	2,605
		(241,764)	71,201
Non-controlling interests			
from continuing operations		**(5,878)**	(3,395)
		(247,642)	67,806
EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	*10*		
Basic and diluted (RMB cents)			
for profit/(loss) for the year from continuing operations		**(5.03)**	1.78
for profit for the year from discontinued operations		**–**	0.14
for profit/(loss) for the year		**(5.03)**	1.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 March 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property and equipment		**95,517**	70,501
Right-of-use assets		**52,916**	42,370
Goodwill		**281,580**	581,824
Other intangible assets		**180,121**	184,076
Investment in an associate		**–**	5,983
Equity investments designated at fair value through other comprehensive income		**300**	15,564
Contingent consideration		**8,459**	–
Prepayments, other receivables and other assets		**7,542**	672
Deferred tax assets		**8,277**	6,917
Total non-current assets		**634,712**	907,907
CURRENT ASSETS			
Inventories		**30**	1,377
Accounts receivable	*11*	**599,312**	485,259
Prepayments, other receivables and other assets		**80,516**	88,630
Financial assets at fair value through profit or loss		**11,068**	4,880
Prepaid tax		**433**	–
Pledged deposits		**3,057**	–
Cash and cash equivalents		**163,697**	86,047
Total current assets		**858,113**	666,193

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
CURRENT LIABILITIES			
Accounts payable	*12*	**11,517**	11,346
Other payables and accruals		**105,220**	59,524
Contract liabilities		**845**	3,252
Consideration payables		**28,519**	70,000
Interest-bearing bank and other borrowings	*13*	**68,500**	140,779
Lease liabilities		**23,098**	20,962
Tax payable		**1,716**	8,304
Total current liabilities		**239,415**	314,167
NET CURRENT ASSETS		**618,698**	352,026
TOTAL ASSETS LESS CURRENT LIABILITIES		**1,253,410**	1,259,933
NON-CURRENT LIABILITIES			
Other payables and accruals		**1,275**	–
Consideration payables		**5,255**	129,499
Interest-bearing bank and other borrowings	*13*	**177,144**	–
Lease liabilities		**25,324**	17,986
Deferred tax liabilities		**18,555**	21,195
Total non-current liabilities		**227,553**	168,680
Net assets		**1,025,857**	1,091,253
EQUITY			
Equity attributable to owners of the Company			
Share capital	*14*	**40,442**	35,395
Reserves		**973,724**	1,035,710
		1,014,166	1,071,105
Non-controlling interests		**11,691**	20,148
Total equity		**1,025,857**	1,091,253

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for equity investments at fair value through other comprehensive income, financial assets at fair value through profit or loss and contingent consideration, which have been measured at fair value. The financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 March 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

Generally, there is a presumption that a majority of voting rights results in control. When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

Restatement of comparative financial statements

In preparation for the consolidated financial statements of the Group 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 year ended 31 March 2022 are restated and recognised in net amount instead of in gross amount, and the corresponding contract liabilities are restated and reclassified to other payables as at 31 March 2022. The management of the Group considers the impact of reclassification adjustment of contract liabilities and other payables as at 1 April 2021 is not significant; therefore no restated consolidated statement of financial position as at 1 April 2021 is presented. There is no impact on the earnings per share for the year ended 31 March 2022.

The effects of correction of this misstatement on the Group's consolidated financial statements for the year ended 31 March 2022 are summarised as follows:

Consolidated statement of profit or loss and other comprehensive income for the year ended 31 March 2022

	As previously reported *RMB'000*	Correction of misstatement *RMB'000*	As restated *RMB'000*
Revenue	865,670	(131,649)	734,021
Cost of services	678,596	(131,649)	546,947

Consolidated statement of financial position as at 31 March 2022

	As previously reported *RMB'000*	Correction of misstatement *RMB'000*	As restated *RMB'000*
Other payables and accruals	54,157	5,367	59,524
Contract liabilities	8,619	(5,367)	3,252

Consolidated statement of cash flows for the year ended 31 March 2022

	As previously reported *RMB'000*	Correction of misstatement *RMB'000*	As restated *RMB'000*
Increase/(decrease) in other payables and accruals	41,356	5,367	46,723
Increase/(decrease) in contract liabilities	7,213	(5,367)	1,846

2. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018-2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 April 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of plant and equipment made available for use on or after 1 April 2021. Since there was no sale of items produced prior to the property and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labor and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 April 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. The amendment applicable to the Group is HKFRS 9 *Financial Instruments* which clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 April 2022. As the Group's modification or exchange of financial liabilities during the year did not involve any fees paid or received between the borrower and the lender, the amendment did not have any impact on the financial position or performance of the Group.

3. 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

(a) Revenue from external customers

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Mainland China	**888,622**	734,021

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

(b) Non-current assets

	2023	2022
	RMB'000	*RMB'000*
Mainland China	**611,086**	881,194
Hong Kong	**2,337**	3,560
	613,423	884,754

The non-current asset information above is based on the locations of the assets and excludes financial instruments and deferred tax assets.

Information about major customers

During the year, revenues from transactions with single external customers (including entities under common control with those customers) amounting to 10% or more of the Group's revenues are as follows:

	2023	2022
	RMB'000	*RMB'000*
Customer A	**262,828**	117,166
Customer B	**203,502**	–

4. REVENUE

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Back-office services:		
Provision of customer service solutions	**835,634**	693,776
Set up of contact service systems and centres	**1,340**	663
	836,974	694,439
Comprehensive marketing and agency services	**26,135**	18,097
Data centre services	**25,513**	21,485
	888,622	734,021

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

	2023 *RMB'000*	2022 *RMB'000* (Restated)
Over time	**887,282**	733,358
At a point in time	**1,340**	663
	888,622	734,021

5. OTHER INCOME AND GAINS

	2023 *RMB'000*	2022 *RMB'000*
Investment return from financial assets at fair value through profit or loss, net		
Fair value losses	**(1,441)**	(286)
Dividend income	**67**	49
Interest income		
Bank interest income	**930**	962
Other interest income	**1,607**	472
Fair value gain on contingent consideration	**110,371**	–
Government grants#	**26,482**	13,072
Value-added tax ("VAT") refund^	**4,179**	5,418
Gain on disposal of subsidiaries	**–**	6,469
Foreign exchange differences, net	**525**	1,833
Gain on derecognition of financial liabilities measured at amortised cost	**15,926**	–
Gain on early termination of leases	**335**	411
Gain on disposal of an associate	**1,623**	–
Others	**197**	3,255
	160,801	31,655

Government grants mainly represented incentives received for investments in certain regions in Mainland China in which the Company's subsidiaries operate, employment subsidies and other tax incentives. There are no unfulfilled conditions or contingencies relating to these grants.

^ *Value-added tax refund mainly attributable to the Value-Added Tax Policy for Software Products (Cai Shui 2011 No. 100), in which for sale of self-developed software products by a general VAT tax payer, after VAT is levied at a tax rate of 17%, the refund-upon-collection policy shall be applied and the portion of the actual VAT burden that is in excess of 3% shall be refunded; and the Tax Policy for Further Supporting and Promoting Entrepreneurship and Employment of Focus Group (Cai Shui 2019 No. 22), in which value-added tax deduction is granted for entering into employment contracts with the focus group.*

6. FINANCE COSTS

An analysis of finance costs from continuing operations is as follows:

	2023 *RMB'000*	2022 *RMB'000*
Interest on lease liabilities	**2,020**	1,311
Interest on consideration payables	**6,187**	8,662
Interest on bank borrowings	**2,399**	1,823
Interest on other borrowings	**14,865**	5,271
	25,471	17,067

7. PROFIT/(LOSS) BEFORE TAX

The Group's profit/(loss) before tax from continuing operations is arrived at after charging/(crediting):

	2023 RMB'000	2022 RMB'000
Depreciation of property and equipment	**28,275**	17,563
Less: Amount attributable to the discontinued operations	**–**	(34)
Amount capitalised	**(193)**	(241)
	28,082	17,288
Depreciation of right-of-use assets	**24,871**	22,437
Amortisation of other intangible assets included in		
Cost of services	**7,971**	4,428
Administrative expenses	**17,491**	17,491
	25,462	21,919
Impairment loss on goodwill	**349,385**	–
Impairment losses on financial assets, net		
Accounts receivable	**3,558**	2,761
Other receivables	**13,735**	9,781
	17,293	12,542
Loss on disposal of property and equipment*	**64**	–
Lease payments not included in the measurement of lease liabilities	**2,398**	3,458
Auditor's remuneration	**3,677**	2,068
Employee benefit expense (including directors' and chief executive's remuneration)		
Wages and salaries	**496,961**	379,014
Pension scheme contributions^	**49,274**	32,937
Termination benefits	**13,623**	–
Less: Amount capitalised	**(10,763)**	(10,892)
	549,095	401,059

* *It is included in "Other expenses and losses" in profit or loss.*

^ *There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.*

8. INCOME TAX

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% (2022: 25%) on the taxable income, except for certain subsidiaries which were entitled to a preferential tax rate of 15% (2022: 15%) because they were accredited as "High and New Technology Enterprises" and certain subsidiaries which were entitled to a preferential tax rate of 5% (2022: 2.5% and 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 year (2022: Nil).

	2023	2022
	RMB'000	*RMB'000*
Current tax — Mainland China		
Charge for the year	**4,971**	13,706
Overprovision in prior years	**(1,913)**	–
	3,058	13,706
Deferred	**(4,000)**	(820)
Total tax charge/(credit) for the year	**(942)**	12,886

No tax attributable to an associate was included in "Share of loss of an associate" in profit or loss (2022: Nil).

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during the year ended 31 March 2023, nor has any dividend been proposed since the end of the reporting period (2022: Nil).

10. EARNINGS/(LOSS) PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic loss (2022: earnings) per share amount is based on the loss (2022: profit) for the year attributable to owners, i.e., ordinary equity holders, of the Company of RMB230,136,000 (2022: RMB80,350,000), and the weighted average number of ordinary shares of 4,578,040,138 in issue during the year (2022: 4,188,519,590).

No adjustment has been made to the basic loss (2022: earnings) per share amount presented for the year ended 31 March 2023 in respect of a dilution because the Group had no potentially dilutive ordinary shares in issue during the year ended 31 March 2023 (2022: Nil).

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

	2023	2022
	RMB'000	*RMB'000*
Earnings/(loss)		
Profit/(loss) attributable to ordinary equity holders of the Company used in the basic and diluted earnings per share calculation		
From continuing operations	**(230,136)**	74,525
From discontinued operations	**–**	5,825
	(230,136)	80,350

	Number of shares	
	2023	2022
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic and diluted earnings/(loss) per share calculation	**4,578,040,138**	4,188,519,590

11. ACCOUNTS RECEIVABLE

	2023	2022
	RMB'000	*RMB'000*
Accounts receivable	**605,941**	488,330
Impairment	**(6,629)**	(3,071)
	599,312	485,259

The Group generally allows a credit period of within 3 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:

	2023	2022
	RMB'000	*RMB'000*
Within 60 days	**233,016**	185,244
61 to 120 days	**134,923**	121,507
121 to 180 days	**61,860**	51,909
Over 180 days	**169,513**	126,599
	599,312	485,259

As at 31 March 2023, the Group's accounts receivable with an aggregate gross carrying amount of RMB250,000,000 (2022: RMB20,000,000) were pledged as security for the Group's bank loans.

The movements in the loss allowance for impairment of accounts receivable are as follows:

	2023	2022
	RMB'000	*RMB'000*
At beginning of the reporting period	**3,071**	310
Impairment losses, net	**3,558**	2,761
At end of the reporting period	**6,629**	3,071

12. 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:

	2023	2022
	RMB'000	*RMB'000*
Within 60 days	**5,320**	7,657
61 to 120 days	**3,009**	548
121 to 180 days	**133**	285
Over 180 days	**3,055**	2,856
	11,517	11,346

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

13. INTEREST-BEARING BANK AND OTHER BORROWINGS

	2023	2022
	RMB'000	*RMB'000*
Bank borrowings repayable:		
Within one year	**68,500**	48,500
Other borrowings repayable:		
On demand	**–**	27,000
Within one year	**–**	65,279
In the second year	**177,144**	–
	177,144	92,279
	245,644	140,779
Analysed into:		
Current liabilities	**68,500**	140,779
Non-current liabilities	**177,144**	–

The Group's bank borrowings at 31 March 2023 were interest-bearing at fixed rates ranging from 4.35% to 4.65% (2022: 4.4% to 4.85%) per annum, and secured by certain accounts receivable of the Group amounting to RMB250,000,000 (2022: RMB20,000,000) and the personal guarantees of RMB160,000,000 (2022: RMB60,000,000) provided by a director and his spouse of a subsidiary of the Company.

The Group's other borrowings at 31 March 2023 were due to a related company which is an entity indirectly controlled by the Company's ultimate controlling party, of which principal amounts of RMB60,000,000 (2022: RMB60,000,000) and RMB70,000,000 (2022: Nil) were interest-bearing at fixed rates of 12.0% and 13.5% (2022: 13.5%), respectively, per annum, unsecured and due to mature on 31 March 2025 (2022: unsecured and repayable within one year), and a principal amount of RMB27,000,000 (2022: RMB27,000,000) was interest-free, unsecured and due to mature on 31 March 2025 (2022: interest-free, unsecured and repayable within two years with a repayment on demand clause).

14. SHARE CAPITAL

	2023	2022
	RMB'000	*RMB'000*
Authorised:		
10,000,000,000 (2022: 10,000,000,000) ordinary shares of HK$0.01 each	**87,661**	87,661
Issued and fully-paid:		
4,776,019,590 (2022: 4,188,519,590) ordinary shares of HK$0.01 each	**40,442**	35,395

A summary of movements in the share capital and share premium account is as follows:

	Number of shares in issue	**Share capital**	**Share premium account**	**Total**
		RMB'000	*RMB'000*	*RMB'000*
At 1 April 2021, 31 March 2022 and 1 April 2022	4,188,519,590	35,395	944,878	980,273
Issue of shares	587,500,000	5,047	196,837	201,884
Share issue expenses	–	–	(16,638)	(16,638)
At 31 March 2023	**4,776,019,590**	**40,442**	**1,125,077**	**1,165,519**

On 15 July 2022 (after trading hours), the Company entered into subscription agreements with two 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 share subscription transactions were completed on 2 August 2022.

The ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held.

FINAL DIVIDEND

The Board does not recommend the payment of a final dividend for the Year (2022: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 7 August 2023 to Wednesday, 9 August 2023 (both days inclusive) for the purpose of determining the entitlement to attend and vote at the forthcoming annual general meeting of the Company (the "AGM"). During which period no transfer of shares of the Company will be registered. In order to be eligible to attend and vote at the AGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Hong Kong Branch Share Registrar of the Company, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 4 August 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Significant Investments Held, Material Acquisitions And Disposals of Subsidiaries, Associates And Joint Ventures

During the Year, the Group completed the following main acquisitions:

1. 40% equity interest in Mianyang Kingwisoft Zhiyuan Internet Service Co., Ltd.* (綿陽金慧致遠互聯網服務有限公司) ("Mianyang Zhiyuan") which was a 60% non-wholly owned subsidiary of the Group at a cash consideration of RMB 5 million.

   Mianyang Zhiyuan is principally engaged in the provision of back-office services (primarily provision of customer service solutions and setting up of contact service systems and centres) in the PRC. Mianyang Zhiyuan has been 100% wholly owned subsidiary of the Group after completion of the acquisition.

2. 100% equity interest in Beijing Huiweilai Technology Co., Ltd.* (北京慧未來科技有限公司) ("Beijing Huiweilai") at a cash consideration of RMB 20 million.

   Beijing Huiweilai is a technology service company focusing on the local life service sector. It focuses on top customers in many domestic cities in the emerging consumption sectors, including food and beverage, leisure, shopping and entertainment, hotel and traveling, and mobility etc. It helps customers build a healthy local life ecosystem through precise customer acquisition, scenario marketing, quality supply chain, and local life e-commerce services to achieve omni-channel smart growth. Beijing Huiweilai has been accounted for as a wholly owned subsidiary of the Group since the completion of the acquisition.

Save as aforementioned, the Group had no significant investments held, material acquisitions and disposals of subsidiaries, associates and joint ventures during the Year.

Profit Guarantee

As disclosed in the announcement dated 10 September 2020 and the circular dated 18 September 2020 (the "Circular") published by the Company, it entered into a share purchase deed on 10 September 2020 (the "Share Purchase Deed") with regard to the acquisition of the entire issued capital of KingNine Holdings Limited ("KingNine") (the "Acquisition"). Unless otherwise defined herein, all capitalized terms used in this announcement shall have same meanings as those defined in the Circular.

Mr. Hu Shilong and Ms. Liu Yingying (the "Guarantors") have undertaken to the Company pursuant to the Share Purchase Deed that the audited consolidated net profit attributable to the equity holders of KingNine in accordance with HKFRS for any given profit guarantee period would not be less than the guaranteed profit in respect of such profit guarantee period. The Company has undertaken to the Guarantors that subject to the compliance of all applicable laws and regulations (including the GEM Listing Rules and the directors' fiduciary duties and duties of skill, care and diligence), it would use reasonable endeavours to procure the directors of DaLian Kingwisoft nominated by it to act in the interests of the Group as a whole during the entire profit guarantee period.

In respect of the Guarantee Period commenced on 1 April 2019 and ended on 31 March 2020, the audited consolidated net profit attributable to the equity holders of KingNine in accordance with HKFRS was approximately RMB65.3 million, and is more than the Guaranteed Profit in respect of this Guarantee Period (i.e. RMB60 million). In respect of the Guarantee Period commenced on 1 April 2020 and ended on 31 March 2021, the audited consolidated net profit attributable to the equity holders of KingNine in accordance with HKFRS was approximately RMB93.6 million, and is more than the Guaranteed Profit in respect of this Guarantee Period (i.e. RMB90 million). In respect of the Guarantee Period commenced on 1 April 2021 and ended on 31 March 2022, the audited consolidated net profit attributable to the equity holders of KingNine in accordance with HKFRS was approximately RMB134.3 million, and is more than the Guaranteed Profit in respect of this Guarantee Period (i.e. RMB120 million). In respect of the Guarantee Period commenced on 1 April 2022 and ended on 31 March 2023, the audited consolidated net profit attributable to the equity holders of KingNine in accordance with HKFRS was approximately RMB94.8 million, and is less than the Guaranteed Profit in respect of this Guarantee Period (i.e. RMB150 million). According to the Share Purchase Deed, the Founders shall compensate the Company the Shortfall in cash (the "Compensation") in accordance with the formula set out in the Share Purchase Deed. The Compensation for the Year was approximately RMB41.5 million.

Business Review

In 2022, due to the impacts of complex external factors such as the COVID-19 pandemic and sluggish global economic growth, China's economic recovery was disrupted and growth of service demand from some of our clients slowed down. In addition, the Group experienced certain challenges in its business against the backdrop of pandemic prevention and control. Despite the foregoing, we have always been sticking to the improvement of customer satisfaction and business health and sustainability, worked closely with clients, and complied with government's pandemic prevention and control requirements. We took some proactive and effective measures, including pandemic prevention and control in the workplace, flexible working arrangements (including working from home) and business interoperability in the workplace, and managed to keep stable and continuous operation of its businesses. However, those proactive measures, which increased the operating costs of the Group, have had a significant adverse impact on the its operation, especially its profitability. As a result, the growth rate of the revenue from our primary business declined and the corresponding profitability was impaired.

The Group generated revenue of approximately RMB888.6 million for the financial year ended 31 March 2023, an increase of 21.1% over the same period last year. In particular, revenue from back-office services was approximately RMB837.0 million, accounting for 94.2% of our total revenue. Insisting on innovation is the long-term strategy of the Group. With the changes in consumer habits and behaviours brought about by the pandemic, the innovative business has continued to improve, and the results of the Internet integrated marketing business have shown considerable growth, an increase of 44.4% over the same period last year.

During the reporting period, we continued to strengthen and broaden our business relationships with leading clients in the fields of Internet mobility, finance and securities, e-commerce, and live streaming services. Our top five clients remain fairly stable. Furthermore, in terms of new customers and new business development, we have acquired a number of customers in the field of Internet marketing services by deepening the incremental market of the whole industry. The Group's companies were listed in the "2022 Leading Chinese Digital Services and Service Outsourcing Enterprise (Customer Centre)", named "Best Employer" at the 2022 China Customer Service Festival and "Top 100 Chinese Service Brands", and included in the editor's choice of the Customer World–"Top Ten Chinese Customer Centre Outsourcing Brands of the Year 2022".

The Group, which has always adhered to independent innovation and research and development, focuses on the innovation in artificial intelligence and big data technologies and their integration with and application in business scenarios, with positive results achieved. The developed business scenarios cover customer service business systems, digital operation and talent management, training and practice, as well as merchant and quality and performance management tools in the field of digital marketing. During the reporting period, with quality professional services and leading innovation, the Group's companies obtained CMMI (Capability Maturity Model Integration) Level 3 certification for their software capability maturity model integration, and acquired 1 new invention patent and 49 software copyrights closely related to the Group's business, accumulating 4 invention patents (1 real trial) and 233 software copyrights. The Group's companies have been awarded the titles of "Top 100 Software Enterprises in Dalian in 2022", "Core Competitive Enterprise of Dalian Software Industry in 30 Years of Scale" and "Leading Enterprise in Customer Service in Dalian Software Industry in 30 Years of Scale", and have been invited to join Dalian Digital Trade Association as a vice president entity. Moreover, two of the Group's companies were selected as "Specialised and New" SMEs, marking a new stage in the Group's continuous research and development of technology scenarios and its service capability to facilitate digital transformation of enterprises.

In addition, the Group expanded its self-operated contact service centres in Puyang, Pingxiang, Shenyang, Xi'an, Dalian, and Chengdu during the reporting period, increasing the total number of completed workstations in 34 self-operated contact service centres to 18,794, an increase of 6,913 workstations from 11,881 workstations as of 31 March 2022.

Financial Review

Results of the Group

The Group recorded a revenue of approximately RMB888.6 million for the Year (2022: approximately RMB734.0 million (restated)), representing 21.1% increase as compared to that of last financial year.

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

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Back-office services:		
Provision of customer service solutions	**835,634**	693,776
Set up of contact service systems and centres	**1,340**	663
	836,974	694,439
Comprehensive marketing and agency services	**26,135**	18,097
Data centre services	**25,513**	21,485
	888,622	734,021

During the Year, the Group incurred cost of services of approximately RMB767.4 million (2022: approximately RMB546.9 million (restated)) which primarily consisted of staff costs, subcontracting fees, rental expenses, depreciation and amortisation. The increase in cost of services was mainly attributable to increases in the abovementioned major cost items as a result of the proactive measures taken by the Group for the COVID-19 pandemic prevention and control as well as setting up of new contact centres yet to reach their optimal operating scale.

As the consolidated net profit attributable to the equity holders of KingNine Group in accordance with HKFRS for the financial year ended 31 March 2023 was less than RMB150 million, being the amount of Guaranteed Profit for the financial year ended 31 March 2023 and pursuant to the Share Purchase Deed, the Founders shall compensate the Company the Shortfall in cash (the "Compensation") in accordance with the formula set out in the Share Purchase Deed. As such, the Group recognised a fair value gain on contingent consideration of approximately RMB110.4 million (2022: Nil). Net other income and gains for the Year was approximately RMB160.8 million (2022: approximately RMB31.7 million). The increase was mainly attributable to the Group recognised the a fair value gain on contingent consideration mentioned above and gain on derecognition of financial liabilities measured at amortised cost of approximately RMB15.9 million (2022: Nil) during the Year.

Based on the assessment by the Company's management of the latest available information and the overall economic environment, the Group recognised a non-cash impairment loss on goodwill of the cash-generating unit ("CGU") of KingNine Group of approximately RMB349.4 million (2022: Nil). The impairment loss on goodwill is a non-cash item and does not have an impact on the Group's cash flows.

During the Year, the Group recorded net impairment losses on financial assets of approximately RMB17.3 million (2022: approximately RMB12.5 million) for the provision of expected credit loss on accounts and other receivables. The Group recorded a gain on derecognition of financial assets measured at amortised costs of approximately RMB13.9 million in the last financial year. No such item was recorded during the Year.

The Group incurred marketing, research and development expenses of approximately RMB42.3 million (2022: approximately RMB37.3 million) in aggregate during the Year. Administrative expenses for the Year was approximately RMB85.7 million (2022: approximately RMB87.7 million).

During the Year, the Group incurred finance costs of approximately RMB25.5 million (2022: approximately RMB17.1 million) which mainly consisted of interests on consideration payable arising from the acquisition of KingNine Group, bank and other borrowings and lease liabilities.

The Group's income tax credit for the Year was approximately RMB0.9 million (2022: income tax expense of approximately RMB12.9 million) which mainly consisted of provision of PRC Enterprise Income Tax of approximately RMB5.0 million (2022: approximately RMB13.7 million), offset by an overprovision in prior period of approximately RMB1.9 million (2022: Nil) and deferred tax credit of approximately RMB4.0 million (2022: RMB0.8 million).

Loss attributable to owners of the Company for the Year was approximately RMB230.1 million, whereas the Group recorded a profit attributable to owners of the Company of approximately RMB80.4 million for the last financial year.

Basic losses per share for the Year was approximately RMB5.03 cents (2022: Basic earnings per share approximately RMB1.92 cents), while diluted losses per share for the Year was the same as basic losses per share of approximately RMB5.03 cents (2022: Diluted earnings per share approximately RMB1.92 cents).

The Group's total assets as at 31 March 2023 decreased by approximately RMB81.3 million to approximately RMB1,492.8 million as compared with approximately RMB1,574.1 million as at 31 March 2022. The total liabilities of the Group as at 31 March 2023 decreased by approximately RMB15.8 million to approximately RMB467.0 million as compared with approximately RMB482.8 million as at 31 March 2022. Net assets value as at 31 March 2023 was approximately RMB1,025.9 million (31 March 2022: approximately RMB1,091.3 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, interest-bearing bank and other borrowings as well as the proceeds arising from the subscriptions of new shares of the Company during the Year.

During the Year, the Company issued a total of 587,500,000 subscription shares at a price of HK$0.4 per subscription share. The net proceeds arising from the subscriptions, after deducting the relevant expenses incidental to the subscriptions, amounted to approximately RMB185.2 million.

As at 31 March 2023, aggregate of cash and bank balances and pledged bank deposits of the Group amounted to approximately RMB166.8 million (2022: approximately RMB86.0 million), which were mainly denominated in Hong Kong dollar and Renminbi ("RMB").

As at 31 March 2023, the Group had interest-bearing bank and other borrowings of approximately RMB245.6 million (2022: approximately RMB140.8 million), which were mainly denominated in RMB. The interest-bearing bank and other borrowings amounted to approximately RMB68.5 million (2022: approximately RMB140.8 million) are repayable within one year with the rest are repayable more than one year. Details of the interest rate structure are set out in note 13 to the financial statements in this announcement.

As at 31 March 2023, the Group had a current ratio of 3.6 and a gearing ratio of 23.9% (2022: 2.1 and 12.9%, respectively). The gearing ratio is computed by dividing the Group's interest-bearing bank and other borrowings of approximately RMB245.6 million (2022: approximately RMB140.8 million) by the Group's equity of approximately RMB1,025.9 million (2022: approximately RMB1,091.3 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.

Commitments

The Group and the Company did not have any significant commitment as at 31 March 2023 and 2022.

Charge on the Group's assets

As at 31 March 2023, the Group's interest-bearing bank and other borrowings were secured by certain assets of the Group. Details of the Group's pledges of assets are set out in note 13 to the financial statements in this announcement.

Employees and remuneration policies

As of 31 March 2023, the Group had 11,755 employees including Directors (2022: 7,351 employees). Total staff cost (including Directors' emoluments) for the Year amounted to approximately RMB559.9 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.

The Remuneration Committee will review and determine the remuneration and compensation packages of the Directors and senior management of the Company with reference to salaries paid by comparable companies, time commitment and responsibilities of the Directors and performance of the Group.

Contingent liabilities

As at 31 March 2023, the Group had no material contingent liabilities (2022: Nil).

Future plans for material investments or capital assets

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

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

Subscriptions of New Shares

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

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

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

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

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

The 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. As disclosed in the Company's announcement dated 2 August 2022, the Company intended to apply the net proceeds in the following manner:

(i) as to approximately HK$27 million of the net proceeds from the Subscriptions towards existing business development ("Existing Business Development");

(ii) as to approximately HK$105 million of the net proceeds towards business expansion and acquisition(s) regarding new media business of providing live-streaming e-commerce and digital marketing services ("Business Expansion and Acquisition(s)"); and

(iii) as to approximately HK$83 million of the net proceeds towards general working capital of the Group ("General Working Capital").

Having considered the recent market changes and the financial position of the Group, the Directors resolved to change the use of the net proceeds from the Subscriptions, being approximately HK$215 million as follows: (i) as to approximately HK$27 million for Existing Business Development; (ii) as to approximately HK$30.5 million for Business Expansion and Acquisition(s); and as at the remaining balance of approximately HK$157.5 million for General Working Capital. The revised allocation of the net proceeds, the utilised and unutilised amounts of the net proceeds as at 31 March 2023 are set out below:

	Intended use of the net proceeds	**Revised allocation of the net proceeds**	**Utilised amount of the net proceeds as at 31 March 2023**	**Unutilised amount of the net proceeds as at 31 March 2023**	**Expected timeline for utilising the unutilised net proceeds**
	HK$ million	*HK$ million*	*HK$ million*	*HK$ million*	
Existing Business Development	27.0	27.0	–	27.0	on or before 31 March 2024
Business Expansion and Acquisition(s)	105.0	30.5	–	30.5	on or before 31 December 2024
General Working Capital	83.0	157.5	(112.5)	45.0	on or before 31 March 2024
	215.0	215.0	(112.5)	102.5	

Having considered the recent market changes and the financial position of the Group, the Directors are of the view that it would be appropriate to re-allocate HK$74.5 million which were originally allocated for Business Expansion and Acquisition(s) to General Working Capital since it could enhance the financial position and liquidity of the Group and meet the financial needs of the Group. The Directors considered the above change in the use of the net proceeds from the Subscriptions is fair and reasonable and in the interests of the Company and its shareholders as a whole.

Outlook

In 2023, China took steadiness as priority and sought progress while maintaining stability. The prevention and control of the pandemic took a quick and stable turnaround, the order of production and life was restored at an accelerated pace, the economy and society resumed normal operation, production demand stabilized and rebounded, employment and prices were generally stable, residents' income continued to increase, market expectations improved significantly, the service industry and consumption recovered faster, and the economic operation continued to restore the positive momentum. According to preliminary estimates, the GDP in the first quarter was RMB28,499.7 billion, up 4.5% year-on-year at constant prices and up 2.2% from the fourth quarter of the previous year.

The service industry accommodates the most jobs among all industries in China. The stabilization and improvement of the service industry marks enhanced market expectations. According to the National Bureau of Statistics, the value added of the service sector grew by 5.4% year-on-year in the first quarter, 3.1 percentage points faster than that in the fourth quarter of the previous year. Among them, modern service industries led the growth of service industries, with the value added of information transmission software and information technology services, financial services, and leasing and business services increasing by 11.2%, 6.9% and 6.0%, respectively, in the first quarter of 2023.

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 released, emerging sectors of the service industry have shown active development. The Chinese government has issued a series of policies for the entertainment and media industry and its sub-sectors to promote the development of the industry, deepen the integration of new technologies with the industry, and create and expand new scenes of consumption through digital empowerment and the integration of business, tourism, culture, and sports. New e-commerce models such as live e-commerce, content e-commerce and social e-commerce have emerged, and products such as digital shopping malls, smart stores and membership stores that integrate offline entities with the digital economy have also achieved rapid penetration, providing multiple information acquisition and consumption channels for C-users.

The new service industry is bursting with new vitality as consumer dynamics continue to be stimulated. In the first quarter, online retail sales of physical goods increased by 7.3% year-on-year, accounting for 24.2% of the total retail sales of consumer goods.

As the Group's major clients are players from sectors such as finance and securities, telecommunication operators and Internet, they are expected to recover rapidly with the continued economic recovery and the gradual rise of new endogenous momentum, while the far-reaching impact of the 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.

We will pay close attention to the impact of macro policies on 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 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 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. We will continuously promote its participation in project tendering, implementation, and construction of self-operated contact centres to provide personnel, sites, and other special supports for new orders to achieve revenue and profit contribution.

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

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 Year.

CORPORATE GOVERNANCE

The Company has applied the principles of good corporate governance set out in the Corporate Governance Code contained in Appendix 15 to the GEM Listing Rules (the "CG Code") throughout the Year.

The Board regularly monitors and reviews the Group's progress in respect of corporate governance practices to ensure compliance with the code provisions (the "Code Provisions") set out in the CG Code.

Under code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual.

The chairman of the Company (the "Chairman") is responsible for overseeing the function of the Board. During the period from 1 April 2022 to 5 March 2023, Mr. NIU Zhanbin was the Chairman. Since 6 March 2023, Mr. QIU Xiaojian has been appointed as the Chairman.

The chief executive officer of the Company (the "CEO") is responsible to the Board for managing the business of the Group. During the period from 1 April 2022 to 5 March 2023, the Company appointed the following CEOs/co-CEO:

Mr. JIANG Yulin	(CEO — 1 April 2022 to 4 June 2022)
Mr. HU Shilong	(co-CEO — 1 April 2022 to 22 September 2022)
Mr. LIU Yang	(CEO — 5 June 2022 to 5 March 2023)

Since 6 March 2023, the office of the CEO has been vacant. Until the appointment of new CEO, the executive Directors will continue to oversee the day-to-day management of the business and operations of the Company and its subsidiaries. The Board believes that the balance of power and authority of the Board is adequately ensured under the existing arrangement and operations of the Board, as the Board comprises experienced and high caliber individuals with a majority thereof being independent non-executive Directors. The Board will keep reviewing its current structure from time to time and should any candidate with suitable knowledge, skill and experience be identified, the Company will make appointment to fill the position of the Chief Executive Officer as appropriate.

Save as disclosed above, the Company has complied with all the Code Provisions throughout the Year.

REVIEW OF RESULTS

The Audit Committee of the Company has reviewed the accounting principles and practices adopted by the Group and the consolidated financial statements for the Year.

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 March 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young on the preliminary announcement.

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, 26 June 2023

As at the date of this announcement, 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.

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.

* *For identification purposes only*