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**Powerwin Tech Group Limited**

**力盟科技集團有限公司**

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

**(Stock code: 2405)**

**INTERIM RESULTS ANNOUNCEMENT  
FOR THE SIX MONTHS ENDED JUNE 30, 2024**

The board (the “**Board**”) of directors (the “**Directors**”) of Powerwin Tech Group Limited (the “**Company**”) is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (together, the “**Group**”) for the six months ended June 30, 2024 (the “**Interim Results**”), together with the comparative figures for the corresponding period in 2023 as follows:

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the six months ended 30 June 2024 – unaudited  
(Expressed in US dollars (“USD”))*

|   | <i>Note</i> | <b>Six months ended 30 June</b> |                |
|---|-------------|---------------------------------|----------------|
|   |             | <b>2024</b>                     | 2023           |
|   |             | <i>USD’000</i>                  | <i>USD’000</i> |
| <b>Revenue</b>  | 3           | <b>7,368</b>                    | 8,764          |
| Cost of sales   |             | <u>(1,139)</u>                  | <u>(1,176)</u> |
| <b>Gross profit</b>   |             | <u><b>6,229</b></u>             | <u>7,588</u>   |
| Marketing expenses  |             | (296)                           | (274)          |
| Administrative expenses   |             | (1,763)                         | (2,915)        |
| Expected credit losses on trade receivables   |             | (1,576)                         | (119)          |
| Other income  |             | <u>328</u>                      | <u>78</u>      |
| <b>Profit from operations</b>   |             | <b>2,922</b>                    | 4,358          |
| Finance costs   | 4(a)        | (2,680)                         | (2,016)        |
| Changes in fair value of financial assets   |             | <u>55</u>                       | <u>29</u>      |
| <b>Profit before taxation</b>   | 4           | <b>297</b>                      | 2,371          |
| Income tax  | 5           | <u>41</u>                       | <u>(347)</u>   |
| <b>Profit for the period</b>  |             | <u><b>338</b></u>               | <u>2,024</u>   |
| <b>Other comprehensive income for the period (after tax)</b>  |             |                                 |                |
| Items that may be reclassified subsequently to profit or loss:  |             |                                 |                |
| Exchange differences on translation of financial information of entities not using USD as functional currency |             | <u>25</u>                       | <u>(10)</u>    |
| <b>Other comprehensive income for the period</b>  |             | <u><b>25</b></u>                | <u>(10)</u>    |
| <b>Total comprehensive income for the period attributable to equity shareholders of the Company</b>           |             | <u><b>363</b></u>               | <u>2,014</u>   |
| <b>Earnings per share</b>   |             |                                 |                |
| Basic and diluted (cents)   | 6           | <u><b>0.04</b></u>              | <u>0.29</u>    |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2024 – unaudited

(Expressed in USD)

|   | <i>Note</i> | At<br><b>30 June</b><br><b>2024</b><br><i>USD'000</i> | At<br>31 December<br>2023<br><i>USD'000</i> |
|---|-------------|---|---|
| <b>Non-current assets</b>   |             |   |   |
| Property, plant and equipment                                     |             | 75  | 87  |
| Right-of-use assets   | 7           | 552   | 838   |
| Other non-current assets  |             | 1,000   | 1,000                                       |
| Intangible assets   |             | 29  | 32  |
| Financial assets measured at fair value<br>through profit or loss |             | 2,801   | 2,765                                       |
| Deferred tax assets   |             | 1,359   | 1,099                                       |
|   |             | <u>5,816</u>  | <u>5,821</u>                                |
| <b>Current assets</b>   |             |   |   |
| Trade and other receivables                                       | 8           | 238,078   | 197,602                                     |
| Cash and cash equivalents   |             | 16,670  | 21,814                                      |
|   |             | <u>254,748</u>  | <u>219,416</u>                              |
| <b>Current liabilities</b>  |             |   |   |
| Trade and other payables  | 9           | 123,842   | 128,976                                     |
| Contract liabilities  |             | 6,451   | 4,170                                       |
| Bank loans  | 10          | 98,522  | 60,254                                      |
| Lease liabilities   |             | 514   | 595   |
| Current taxation  |             | 675   | 703   |
|   |             | <u>230,004</u>  | <u>194,698</u>                              |
| <b>Net current assets</b>   |             | <u>24,744</u>   | <u>24,718</u>                               |
| <b>Total assets less current liabilities</b>                      |             | <u>30,560</u>   | <u>30,539</u>                               |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 30 June 2024 – unaudited

(Expressed in USD)

|                                | <i>Note</i> | At<br>30 June<br>2024<br>USD'000 | At<br>31 December<br>2023<br>USD'000 |
|--------------------------------|-------------|----------------------------------|--------------------------------------|
| <b>Non-current liabilities</b> |             |                                  |                                      |
| Bank loans                     | 10          | 626                              | 768                                  |
| Lease liabilities              |             | 53                               | 253                                  |
|                                |             | <u>679</u>                       | <u>1,021</u>                         |
| <b>Net assets</b>              |             | <b><u>29,881</u></b>             | <b><u>29,518</u></b>                 |
| <b>CAPITAL AND RESERVES</b>    |             |                                  |                                      |
|                                | 11          |                                  |                                      |
| Share capital                  |             | 8,000                            | 8,000                                |
| Reserves                       |             | 21,881                           | 21,518                               |
| <b>TOTAL EQUITY</b>            |             | <b><u>29,881</u></b>             | <b><u>29,518</u></b>                 |

## NOTES

*(Expressed in USD unless otherwise indicated)*

### 1 BASIS OF PREPARATION

The condensed interim consolidated financial statements has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (“**HKAS**”) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). It was authorised for issue on 28 August 2024.

The condensed interim consolidated financial statements has been prepared in accordance with the same accounting policies adopted in the 2023 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2024 annual financial statements. Details of any changes in accounting policies are set out in note 2.

### 2 CHANGES IN ACCOUNTING POLICIES

The Group has applied the following amendments to Hong Kong Financial Reporting Standards (“**HKFRSs**”) issued by the HKICPA to this interim financial report for the current accounting period:

- Amendments to HKAS 1, *Presentation of financial statements: Classification of liabilities as current or non-current* (“**2020 amendments**”)
- Amendments to HKAS 1, *Presentation of financial statements: Non-current liabilities with covenants* (“**2022 amendments**”)
- Amendments to HKFRS 16, *Leases: Lease liability in a sale and leaseback*
- Amendments to HKAS 7, *Statement of cash flows* and HKFRS 7, *Financial instruments: Disclosures – Supplier finance arrangements*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The amended HKFRSs do not have a material impact on the Group’s interim financial statements.

### 3 REVENUE AND SEGMENT INFORMATION

#### (a) Revenue

The principal activities of the Group are the provisions of cross-border digital marketing services and cross-border online-shop SaaS solutions.

Disaggregation of revenue from contracts with customers within the scope of HKFRS 15 by major services is as follows:

|  | <b>Six months ended 30 June</b> |                     |
|--|---------------------------------|---------------------|
|  | <b>2024</b>                     | <b>2023</b>         |
|  | <b>USD'000</b>                  | <b>USD'000</b>      |
| <b>Cross-border digital marketing services</b> |                                 |                     |
| Standardized digital marketing                 | 3,221                           | 4,659               |
| Customized digital marketing                   | 1,549                           | 2,303               |
| SaaS-based digital marketing                   | 1,225                           | 448                 |
|  | <u>5,995</u>                    | <u>7,410</u>        |
| <b>Cross-border online-shop SaaS solutions</b> | <u>1,373</u>                    | <u>1,354</u>        |
|  | <u><b>7,368</b></u>             | <u><b>8,764</b></u> |
|  |                                 |                     |
|  | <b>Six months ended 30 June</b> |                     |
|  | <b>2024</b>                     | <b>2023</b>         |
|  | <b>USD'000</b>                  | <b>USD'000</b>      |
| Disaggregated by timing of revenue recognition |                                 |                     |
| – Point in time                                | 5,995                           | 7,410               |
| – Over time                                    | 1,373                           | 1,354               |
|  | <u>7,368</u>                    | <u>8,764</u>        |

The Group's operations are not subject to significant seasonal factors.

### 3 REVENUE AND SEGMENT INFORMATION (CONTINUED)

#### (a) Revenue (continued)

There are three and three customers with whom transactions have exceeded 10% of the Group's revenues for the six months ended 2024 and 2023, respectively. Revenue from these customers are set out below:

|              | <b>Six months ended 30 June</b> |                |
|--------------|---------------------------------|----------------|
|              | <b>2024</b>                     | 2023           |
|              | <i>USD'000</i>                  | <i>USD'000</i> |
| Customer I   | <b>2,363</b>                    | 1,709          |
| Customer II  | <b>2,935</b>                    | 2,052          |
| Customer III | <b>1,024</b>                    | N/A*           |
| Customer IV  | <b>N/A*</b>                     | 1,070          |

\* This represents that the revenue from that customer is less than 10% of the Group's revenue of that period.

#### (b) Segment information

For the six months ended 30 June 2024 and 2023, the geographical information on the total revenue based on the location of the respective entities of the Group rendering of the services is as follows:

|                  | <b>Six months ended 30 June</b> |                     |
|------------------|---------------------------------|---------------------|
|                  | <b>2024</b>                     | 2023                |
|                  | <i>USD'000</i>                  | <i>USD'000</i>      |
| Hong Kong        | <b>7,367</b>                    | 8,759               |
| Chinese mainland | <b>1</b>                        | 5                   |
|                  | <b><u>7,368</u></b>             | <b><u>8,764</u></b> |

The following table sets out information about the geographical locations of the Group's specified non-current assets. Specified non-current assets exclude financial assets at fair value through profit or loss and deferred tax assets. The geographical locations of the specified non-current assets are based on the physical locations or the location of operations of the assets.

|                  | <b>At</b>           | At                  |
|------------------|---------------------|---------------------|
|                  | <b>30 June</b>      | 31 December         |
|                  | <b>2024</b>         | 2023                |
|                  | <i>USD'000</i>      | <i>USD'000</i>      |
| Hong Kong        | <b>1,380</b>        | 1,587               |
| Chinese mainland | <b>276</b>          | 370                 |
|                  | <b><u>1,656</u></b> | <b><u>1,957</u></b> |

#### 4 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) **Finance costs:**

|                               | <b>Six months ended 30 June</b> |                |
|-------------------------------|---------------------------------|----------------|
|                               | <b>2024</b>                     | <b>2023</b>    |
|                               | <i>USD'000</i>                  | <i>USD'000</i> |
| Interest on bank loans        | 2,664                           | 2,000          |
| Interest on lease liabilities | 16                              | 16             |
|                               | <u>2,680</u>                    | <u>2,016</u>   |

(b) **Staff costs:**

|                                    | <b>Six months ended 30 June</b> |                |
|------------------------------------|---------------------------------|----------------|
|                                    | <b>2024</b>                     | <b>2023</b>    |
|                                    | <i>USD'000</i>                  | <i>USD'000</i> |
| Salaries, wages and other benefits | 1,612                           | 1,778          |
| Retirement scheme contributions    | 111                             | 105            |
|                                    | <u>1,723</u>                    | <u>1,883</u>   |

(c) **Other items:**

|  | <b>Six months ended 30 June</b> |                |
|--|---------------------------------|----------------|
|  | <b>2024</b>                     | <b>2023</b>    |
|  | <i>USD'000</i>                  | <i>USD'000</i> |
| Gains from changes in fair value of financial assets | (55)                            | (29)           |
| Listing expenses                                     | –                               | 1,057          |
| Research and development costs ( <i>note (a)</i> )   | 614                             | 592            |
| Amortisation cost of intangible assets               | 3                               | 4              |
| Depreciation   |                                 |                |
| – property, plant and equipment                      | 15                              | 9              |
| – right-of-use assets ( <i>note 7</i> )              | 302                             | 197            |
|  | <u>302</u>                      | <u>197</u>     |

*Note:*

- (a) Research and development costs include staff costs of employees in the research and development department, of which USD614,000 (six months ended 30 June 2023: USD592,000) are included in the staff costs as disclosed above.



**5 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

|   | <b>Six months ended 30 June</b> |                |
|---|---------------------------------|----------------|
|   | <b>2024</b>                     | 2023           |
|   | <i>USD'000</i>                  | <i>USD'000</i> |
| <b>Current tax</b>                                |                                 |                |
| Provision for the period                          | <u>220</u>                      | <u>366</u>     |
|   | <u>220</u>                      | <u>366</u>     |
| <b>Deferred tax</b>                               |                                 |                |
| Origination and reversal of temporary differences | <u>(261)</u>                    | <u>(19)</u>    |
|   | <u>(41)</u>                     | <u>347</u>     |

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and the BVI.

The provision for Hong Kong Profits Tax is calculated by applying the estimated annual effective tax rate of 16.5% (2023: 16.5%) to the six months ended 30 June 2024, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered Profits Tax rate regime. For this subsidiary, the first Hong Kong Dollars (“HKD”) 2 million of assessable profits are taxed at 8.25% and the remaining assessable profits are taxed at 16.5%. The provision for Hong Kong Profits Tax for this subsidiary was calculated at the same basis in 2023.

The statutory income tax rate for the subsidiaries in the People’s Republic of China is 25% (2023: 25%).

## 6 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of USD338,000 (six months ended 30 June 2023: USD2,024,000) and the weighted average of 800,000,000 shares (2023: 700,000,000 shares) in issue during the interim period, calculated as follows:

### Weighted average number of shares

|   | <b>2024</b>           | 2023                  |
|---|-----------------------|-----------------------|
|   | <b>'000</b>           | '000                  |
| Issued shares at 1 January                                    | <b>800,000</b>        | 1,000                 |
| Effect of the capitalisation issue                            | –                     | 599,000               |
| Effect of issue of ordinary shares by initial public offering | –                     | 100,000               |
|   | <u>800,000</u>        | <u>700,000</u>        |
| Weighted average number of shares at 30 June                  | <b><u>800,000</u></b> | <b><u>700,000</u></b> |

There were no dilutive potential ordinary shares for the six months ended 30 June 2024 and 2023; therefore, diluted earnings per share are the same as basic earnings per share.

## 7 RIGHT-OF-USE ASSETS

|                                    | <b>2024</b>       | 2023                |
|------------------------------------|-------------------|---------------------|
|                                    | <b>USD'000</b>    | USD'000             |
| Net book value, as at 1 January    | <b>838</b>        | 320                 |
| Additions                          | <b>48</b>         | 998                 |
| Lease modification                 | <b>(31)</b>       | –                   |
| Disposals                          | –                 | (9)                 |
| Depreciation charge for the period | <b>(302)</b>      | (197)               |
| Exchange adjustments               | <b>(1)</b>        | (15)                |
|                                    | <u>552</u>        | <u>1,097</u>        |
| Net book value, as at 30 June      | <b><u>552</u></b> | <b><u>1,097</u></b> |

## 8 TRADE AND OTHER RECEIVABLES

|   | At<br>30 June<br>2024<br><i>USD'000</i> | At<br>31 December<br>2023<br><i>USD'000</i> |
|---|---|---|
| Trade receivables-third parties           | 245,127                                 | 203,614                                     |
| Less: loss allowance on trade receivables | <u>(8,219)</u>                          | <u>(6,643)</u>                              |
|   | <b>236,908</b>                          | 196,971                                     |
| Amounts due from related parties          | 12                                      | 11  |
| Amounts due from third parties            | <u>1,158</u>                            | <u>620</u>                                  |
|   | <b><u>238,078</u></b>                   | <b><u>197,602</u></b>                       |

All of the trade and other receivables are expected to be recovered or recognised as expense within one year.

The Group has entered into certain factoring arrangements with banks on a with-recourse basis, under which the Group obtained prepayment in respect of the invoice amounts owed from certain customers. Under these arrangements, the banks pay the Group agreed portion of the amounts owed from the customers on the original due dates, and then the Group settles the prepayment no more than 90 days later.

As at 30 June 2024, the amount of trade receivables under factoring arrangements was USD113,003,000 (31 December 2023: USD69,294,000).

### Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables (which are included in trade and other receivables), based on the invoice date, is as follows:

|                                    | At<br>30 June<br>2024<br><i>USD'000</i> | At<br>31 December<br>2023<br><i>USD'000</i> |
|------------------------------------|---|---|
| Within 1 month                     | 63,057                                  | 75,349                                      |
| Over 1 month but within 2 months   | 48,754                                  | 50,445                                      |
| Over 2 months but within 3 months  | 40,592                                  | 16,907                                      |
| Over 3 months but within 6 months  | 56,865                                  | 15,960                                      |
| Over 6 months but within 12 months | 18,053                                  | 23,234                                      |
| Over 12 months                     | <u>17,806</u>                           | <u>21,719</u>                               |
|                                    | <b><u>245,127</u></b>                   | <b><u>203,614</u></b>                       |

Trade debtors are due within 30 to 300 days (2023: 30 to 300 days) from the date of billing.

## 9 TRADE AND OTHER PAYABLES

|                                | At<br>30 June<br>2024<br><i>USD'000</i> | At<br>31 December<br>2023<br><i>USD'000</i> |
|--------------------------------|---|---|
| Trade payables – third parties | 123,389                                 | 128,361                                     |
| VAT and other taxes payable    | 50                                      | 27  |
| Payroll payable                | 328                                     | 324   |
| Other payables and accruals    | 75                                      | 264   |
|                                | <u>123,842</u>                          | <u>128,976</u>                              |

All trade and other payables are expected to be settled within one year or are repayable on demand.

As of the end of the reporting period, the ageing analysis of trade creditors (which are included in trade and other payables), based on the invoice date, is as follows:

|                                  | At<br>30 June<br>2024<br><i>USD'000</i> | At<br>31 December<br>2023<br><i>USD'000</i> |
|----------------------------------|---|---|
| Within 1 month                   | 66,734                                  | 52,784                                      |
| Over 1 month but within 3 months | 56,655                                  | 75,577                                      |
|                                  | <u>123,389</u>                          | <u>128,361</u>                              |

## 10 BANK LOANS

(a) The analysis of the repayment schedule of bank loans is as follows:

|                                  | At<br>30 June<br>2024<br><i>USD'000</i> | At<br>31 December<br>2023<br><i>USD'000</i> |
|----------------------------------|---|---|
| Within 1 year or on demand       | 98,522                                  | 60,254                                      |
| After 1 year but within 2 years  | 254                                     | 285   |
| After 2 years but within 5 years | 372                                     | 483   |
| Sub-total                        | <u>626</u>                              | <u>768</u>                                  |
| Total                            | <u>99,148</u>                           | <u>61,022</u>                               |

## 10 BANK LOANS (CONTINUED)

### (b) Assets pledged as security

As of the end of the reporting period, the bank loans were secured as follows:

|                    | At<br>30 June<br>2024<br>USD'000 | At<br>31 December<br>2023<br>USD'000 |
|--------------------|----------------------------------|--------------------------------------|
| Secured bank loans | <u>99,148</u>                    | <u>61,022</u>                        |

At 30 June 2024, bank loans of USD908,000 (31 December 2023: USD1,046,000) were guaranteed by the Group and secured by financial assets measured at fair value through profit or loss.

At 30 June 2024, bank loans of USD69,083,000 (31 December 2023: USD52,504,000) were guaranteed by the Group and secured by trade receivables according to the factoring arrangements

At 30 June 2024, bank loans of USD12,007,000 (31 December 2023: USD6,002,000) were guaranteed by the Group.

At 30 June 2024, bank loans of USD17,150,000 (31 December 2023: USD1,470,000) were secured by trade receivables according to the factoring arrangements.

## 11 CAPITAL, RESERVES AND DIVIDENDS

### (a) Dividends

(i) *Dividends payable to equity shareholders of the Company attributable to the interim period*

No dividend was declared for the six months ended 30 June 2024 (six months ended 30 June 2023: Nil).

(ii) *Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period*

No dividend was paid for the six months ended 30 June 2024 (six months ended 30 June 2023: USD1,298,000).

## **11 CAPITAL, RESERVES AND DIVIDENDS (CONTINUED)**

### **(b) Share capital**

As at 30 June 2024 and 31 December 2023, the authorized share capital of the Company comprises 2,000,000,000 ordinary shares with par value of USD0.01 per share and the issued share capital of the Company comprises 800,000,000 ordinary shares.

### **(c) Share premium**

Under the Companies Law of the Cayman Islands, the share premium account of the Company may be applied for payment of distributions or dividends to shareholders provided that immediately following the date on which the distribution or dividend is proposed to be paid, the Company is able to pay its debts as they fall due in the ordinary course of business.

### **(d) Exchange reserve**

The exchange reserve comprises all foreign exchange differences arising from translation of financial information of entities not using USD as functional currency.

## MANAGEMENT DISCUSSION AND ANALYSIS

### OVERVIEW

We are a cross-border digital marketing service provider in China. Over the years, we have been dedicated to empowering China-based marketers in user acquisition to better promote and connect themselves to customers worldwide while collaborating with major and well-known media publishers in helping them explore monetization opportunities. Our cross-border digital marketing services consist of standardized, customized and SaaS-based solutions to address China-based marketers' needs for cross-border marketing endeavors. We also provide cross-border online-shop SaaS solutions which enables cross-border e-commerce merchants to build, operate, manage and market their own standalone online shops.

### BUSINESS REVIEW

#### Cross-border Digital Marketing Services

Capitalizing on our deep understanding of marketers' evolving needs and prompted by the cross-border digital marketing spending along with the growing demand of China-based enterprises to expand overseas business, we had served more than 2,900 marketers as of June 30, 2024, covering a variety of industry verticals of e-commerce, online games and apps. We had, as of June 30, 2024, curated and collaborated with 19 major and well-known media publishers globally, including major media publishers such as Meta, a leading online social media platform operator and a dominant digital media content provider established in 2004 in the United States, Google, X, TikTok, LinkedIn, YouTube and Snapchat, covering social networking, instant messaging, search engine and short-video media platforms, as well as more than 50 industry-specific media publishers each focusing on a specific niche market.

Depending on marketers' needs and the depths of our services, our cross-border digital marketing services can be categorized into three service types, namely:

- **standardized digital marketing services**, mainly including basic services, such as procurement of media resources (being the ad inventories from the media publishers' platforms), opening and top-up of media accounts and implementation of marketing campaigns (without customized marketing strategies or optimization) on media publishers' platforms;

- **customized digital marketing services**, mainly including targeted marketing strategies and plan, marketing campaign content design, customized marketing campaign optimization, online shops optimization, campaign monitoring and management and execution of overall user acquisition; and
- **SaaS-based digital marketing services**, mainly including optimization and implementation of marketing campaigns in a more intelligent and automated manner through our Adorado SaaS platform, comprising a basic version mainly for small and medium-sized marketers and an advanced version mainly for large-scale marketers.

### **Cross-border Online-shop SaaS Solutions**

We provide cross-border online-shop SaaS solutions to customers through Powershopy, our proprietary SaaS platform launched in November 2021 which serves cross-border e-commerce merchants in China for the set-up, operation and digital marketing of their own standalone online shops as opposed to online shops operated on third-party e-commerce platforms. We generate revenue from cross-border online-shop SaaS solutions by charging our customers: (i) a fixed amount of a monthly subscription fee for the use of our platform; and/or (ii) a commission representing a pre-determined percentage of the gross merchandise volume (“GMV”) generated by our customers through our Powershopy platform.

### **EMPLOYEES AND REMUNERATION POLICY**

Our Group had 76 full-time employees as of June 30, 2024 (as of June 30, 2023: 80). Our staff cost included in cost of sales and the expenses of other staff in aggregate amounted to US\$1.7 million for the six months ended June 30, 2024. Employees’ remuneration package includes salary, performance bonus and other welfare subsidies. The remuneration of employees is determined in accordance with our Group’s remuneration policy, the employees’ position, performance, company profitability, industry level and market environment. A remuneration committee was set up for reviewing and making recommendations to the Directors on the structure concerning remuneration of the Directors and senior management, having regard to our Group’s operating results, individual performance of the Directors and senior management and comparable market practices.



## OUTLOOK

Since June 30, 2024, both our cross-border digital marketing and cross-border online-shop SaaS solutions businesses continued to grow in terms of gross billing despite the Group is facing more intense competition in its cross-border digital marketing business. We will strive to maintain a steady growth of our business in light of the rise in demand for cross-border digital marketing services due to the continuous growth of China-based cross-border e-commerce merchants.

Going forward, we plan to continue to optimize and upgrade our Adorado and Powershopy platforms, expand marketer coverage, broaden sales channels, and enhance brand reputation, establish our global business network and strengthen our capabilities to provide localization services in overseas markets and selectively seek opportunities for strategic cooperation and investment.

## FINANCIAL REVIEW

### Revenue

Our revenue decreased by 15.9% to US\$7.4 million for the six months ended June 30, 2024 from US\$8.8 million for the six months ended June 30, 2023, primarily attributable to the intensifying competition in the digital marketing services. To maintain a competitive edge, we have stopped charging account management fees from our customers since the start of 2024 and increased the rebate rates of certain of our customers.

#### *Revenue from cross-border digital marketing*

- **Standardized digital marketing.** Revenue from standardized digital marketing services decreased by 30.9% to US\$3.2 million for the six months ended June 30, 2024 from US\$4.7 million for the six months ended June 30, 2023 as a result of the intensifying competition in the standardized digital marketing services. To maintain a competitive edge, we have stopped charging account management fees from our customers since the start of 2024 and increased the rebate rates of certain of our customers.
- **Customized digital marketing.** Revenue from customized digital marketing services decreased by 32.7% to US\$1.5 million for the six months ended June 30, 2024 from US\$2.3 million for the six months ended June 30, 2023, which was primarily attributable to the integration of our customized digital marketing services and SaaS-based digital marketing services to increase intelligent delivery while reducing manual involvement, which caused a shift in demand from customized digital marketing services to SaaS-based digital marketing services.

- **SaaS-based digital marketing.** Revenue from SaaS-based digital marketing services increased by 173.4% to US\$1.2 million for the six months ended June 30, 2024 from US\$0.4 million for the six months ended June 30, 2023, which was primarily attributable to the integration of our customized digital marketing services and SaaS-based digital marketing services to increase intelligent delivery while reducing manual involvement, which caused a shift in demand from customized digital marketing services to SaaS-based digital marketing services.

#### *Revenue from cross-border online-shop SaaS solutions*

Revenue from cross-border online-shop SaaS solutions remained stable at US\$1.4 million for the six months ended June 30, 2023 and 2024.

#### **Cost of Sales**

Our cost of sales decreased to US\$1.1 million for the six months ended June 30, 2024 from US\$1.2 million for the six months ended June 30, 2023, which was primarily attributable to the decrease in staff cost as a result of our staff structure optimization.

#### **Gross Profit and Gross Profit Margin**

Our gross profit decreased by 17.9% to US\$6.2 million for the six months ended June 30, 2024 from US\$7.6 million for the six months ended June 30, 2023. The decrease was primarily due to the intensifying competition in the digital marketing services, which we have responded by rolling out certain promotional measures and this has led to a decrease in our revenue. Our overall gross profit margin decreased to 84.5% for the six months ended June 30, 2024 from 86.6% for the six months ended June 30, 2023, which was mainly due to the rolling out of certain promotional measures in light of the intensifying competition as aforementioned which has led to a decrease in our revenue. While we have also optimized our cost structure which has led to a decrease in our cost of sales, the decrease in revenue outweighed the decrease in the cost of sales which has led to the decrease in the overall gross profit margin for the six months ended June 30, 2024.

#### **Marketing Expenses**

Our marketing expenses remained relatively stable at US\$0.3 million for the six months ended June 30, 2023 and 2024.

## **Administrative Expenses**

Our administrative expenses decreased to US\$1.8 million for the six months ended June 30, 2024 from US\$2.9 million for the six months ended June 30, 2023, as we have incurred listing expenses in relation to our initial public offering in March 2023 and such listing expenses were not incurred for the six months ended June 30, 2024.

## **Expected Credit Losses on Trade Receivables**

Our expected credit losses on trade receivables increased to US\$1.6 million for the six months ended June 30, 2024 from US\$0.1 million for the six months ended June 30, 2023, which was due to the increased bad debt provisions made for prudence's sake as the operational adjustments of certain customers have resulted in longer collection periods. We have actively communicated with our customers in order to follow up on the recovery of funds.

## **Finance Costs**

Our finance costs increased to US\$2.7 million for the six months ended June 30, 2024 from US\$2.0 million for the six months ended June 30, 2023. This increase was primarily due to the internal operational adjustments of our major customer which have resulted in longer collection periods.

## **Income Tax Credit/(Expense)**

The Group recorded an income tax credit of US\$0.04 million for the six months ended June 30, 2024 compared to an income tax expense of US\$0.3 million for the six months ended June 30, 2023, which was primarily due to the deferred tax being greater than the current tax. Our effective income tax rate was -13.8% and 14.6% for the six months ended June 30, 2024 and 2023, respectively.

## **Profit for the Period**

As a result of the foregoing, our profit for the period decreased by 83.3% to US\$0.3 million for the six months ended June 30, 2024 from US\$2.0 million for the six months ended June 30, 2023. Our net profit margin decreased to 4.6% for the six months ended June 30, 2024 from 23.1% for the six months ended June 30, 2023, which was primarily due to (i) the rolling out of certain promotional measures in light of the intensifying competition; and (ii) the increase in bad debt provisions in response to the longer collection periods from certain of our customers.

## **Trade Receivables**

Our trade receivables increased to US\$245.1 million as of June 30, 2024 from US\$203.6 million as of December 31, 2023, which was primarily due to the continuous growth of China-based cross-border e-commerce merchants which has driven the demand for cross-border digital marketing services and our gross billing and longer collection periods from certain of our customers.

## **Trade and Other Payables**

Our trade and other payables decreased to US\$123.8 million as of June 30, 2024 from US\$129.0 million as of December 31, 2023, which was primarily because our trade payables remained relatively higher at the end of the fourth quarter of 2023, which was an e-commerce peak season for marketers to allocate a significant portion of their marketing budgets.

## **Bank Loans**

Our bank loans increased to US\$99.1 million as of June 30, 2024 from US\$61.0 million as of December 31, 2023, which was primarily because we have increased the utilization of bank loans to support our capital needs caused by the increase in gross billing.

## **Liquidity and Financial Resources**

Our cash and cash equivalents were primarily denominated in U.S. dollars. As of December 31, 2023 and June 30, 2024, we had cash and cash equivalents of US\$21.8 million and US\$16.7 million, respectively. Such decrease in cash and cash equivalents was primarily because of the increased prepayments to support the increase in our gross billing.

Our net current assets remained relatively stable at US\$24.7 million as of June 30, 2024 and December 31, 2023.

Our major financing resources are bank loans. We had bank loans of US\$61.0 million and US\$99.1 million as of December 31, 2023 and June 30, 2024, respectively, which were primarily used for supporting the growth of our business expansion and development. As of June 30, 2024, our bank loans were primarily denominated in U.S. dollars, among which, approximately US\$17.1 million were at fixed interest rates, and approximately US\$82.0 million were at variable rates.

## **Interim Dividend**

The Board did not recommend any interim dividend for the six months ended June 30, 2024.

## **Gearing Ratio**

Our gearing ratio, being calculated by dividing total borrowings by total equity as of the date indicated and multiplied by 100%, increased to 331.8% as of June 30, 2024 from 206.7% as of December 31, 2023, primarily due to the increase in our borrowings.

## **Debt to Equity Ratio**

Our debt to equity ratio, being calculated by dividing total borrowings net of cash and cash equivalents by total equity as of the date indicated and multiplied by 100%, increased to 276.0% as of June 30, 2024 from 132.8% as of December 31, 2023, primarily due to the increase in our borrowings.

## **Contingent Liabilities**

As of December 31, 2023 and June 30, 2024, we did not have any material contingent liabilities.

## **Pledge of Assets**

Save as disclosed below, none of our Group's assets were pledged as of June 30, 2024.

As of June 30, 2024, bank loans of US\$908,000 were guaranteed by the Company and secured by financial assets measured at fair value through profit or loss (as of December 31, 2023: US\$1,046,000). As of June 30, 2024, bank loans of US\$17,150,000 were secured by trade receivables according to the factoring arrangements (as of December 31, 2023: US\$1,470,000). As of June 30, 2024, bank loans of US\$69,083,000 were guaranteed by the Group and were secured by trade receivables according to the factoring arrangements (as of December 31, 2023: US\$52,504,000).

## **Treasury Policies**

We have adopted a prudent financial management approach towards our treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. Our Board closely monitors our liquidity positions, while surplus cash will be invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments.

## **Interest Rate Risks**

Our interest rate risks arise primarily from bank loans issued at fixed rates and variable rates, and lease liabilities that expose us to cash flow interest rate risk. In particular, our interest on bank loans increased to US\$2.7 million for the six months ended June 30, 2024 from US\$2.0 million for the six months ended June 30, 2023. We will keep monitoring the risk exposure regularly to mitigate the interest risk.

## **Foreign Exchange Exposure**

Our Group operates in Hong Kong with most of our monetary assets and liabilities and transactions principally denominated in U.S. dollars. We do not have significant exposure to foreign currency risks.

## **SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS**

We did not have any significant investments or material acquisitions and disposals of subsidiaries, associates and joint ventures during the six months ended June 30, 2024. As of June 30, 2024, we did not have any plans for any material investments or capital assets.

## **USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING**

The Company's shares were listed on the Main Board of the Stock Exchange on March 31, 2023 (the "**Listing Date**") and the net proceeds raised from this initial public offering after deducting underwriting fees and commissions and other related listing expenses amounted to approximately HK\$96.8 million (the "**Net Proceeds**").

As of June 30, 2024, the utilization of the Net Proceeds is detailed as follows:

|   | Approximate<br>percentage of<br>Net Proceeds | Allocation of<br>Net proceeds<br>(HK\$ million) | Unutilized<br>amount of<br>Net Proceeds<br>as of<br>December 31,<br>2023<br>(HK\$ million) | Utilized<br>amount of<br>Net Proceeds<br>during the six<br>months ended<br>June 30,<br>2024<br>(HK\$ million) | Unutilized<br>amount of<br>Net Proceeds<br>as of<br>June 30,<br>2024<br>(HK\$ million) | Expected timeline<br>for the use<br>of unutilized<br>Net Proceeds <sup>(Note)</sup> |
|---|--|---|--|---|--|---|
| Strengthen the research and development capabilities of the Group   | 41.7%  | 40.3  | 27.6   | 4.8   | 22.8   | end of 2025   |
| Market the Group's cross-border online-shop SaaS solutions business   | 13.3%  | 12.9  | 12.9   | –   | 12.9   | end of 2025   |
| Upgrade the Group's business and internal management systems to cater to its increasing business scale  | 10.0%  | 9.7   | 9.7  | –   | 9.7  | end of 2024   |
| Strengthen the Group's capabilities in providing localized services in overseas countries and regions to meet customers' growing demand for overseas presence and expansion and deepen the Group's global footprint             | 15.0%  | 14.5  | 14.5   | –   | 14.5   | end of 2025   |
| Pursue strategic cooperation or investment opportunities from upstream and downstream industry participants that will complement or enhance the Group's existing business and product functions and have synergy with the Group | 10.0%  | 9.7   | 9.7  | –   | 9.7  | end of 2024   |
| Working capital and general corporate purposes  | 10.0%  | 9.7   | –  | –   | –  | N/A   |
| Total   |  | <u>96.8</u>                                     | <u>74.4</u>  | <u>4.8</u>  | <u>69.6</u>  |   |

*Note:*

During the six months ended June 30, 2024, the Net Proceeds had been used according to the purposes as stated in the prospectus of the Company dated March 21, 2023 (the “**Prospectus**”), and there was no material change or delay in the use of the Net Proceeds.

The Group will continue to utilize the Net Proceeds from the initial public offering as set out in the section headed “Future Plans and Use of Proceeds” in the Prospectus.

## **EVENTS AFTER THE REPORTING PERIOD**

There were no other material subsequent events relating to the Group after June 30, 2024 and up to the date of this announcement.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S OF LISTED SECURITIES**

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the six months ended June 30, 2024. As of June 30, 2024, the Company did not hold any treasury shares.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE PROVISIONS CONTAINED IN PART 2 OF APPENDIX C1 TO THE LISTING RULES**

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted and, save as disclosed below, complied with the code provisions stated in the Corporate Governance Code contained in Part 2 of Appendix C1 (the “**CG Code**”) to the Listing Rules during the six months ended June 30, 2024.

Pursuant to provision C.2.1 of Part 2 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Li Xiang is the chairman of the Board and the chief executive officer of the Company. With extensive experience in business management, Mr. Li is responsible for the overall strategic and direction planning, business development and management of the Group and is instrumental to the growth and business expansion since the Group's establishment. The Board considers that vesting the roles of joint chairman and chief executive officer in the same person is beneficial to the management of the Group. The balance of power and authority is ensured by the operation of the senior management and the Board, which comprises experienced and high-caliber individuals. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

The Company is committed to the view that the Board should include a balanced composition of executive Directors and independent non-executive Directors so that there is a strong independent element on the Board, which can effectively exercise independent judgment.



## **COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having been made specific enquiry, the Directors confirmed that they have complied with the required standard set out in the Model Code during the six months ended June 30, 2024.

## **REVIEW OF UNAUDITED INTERIM RESULTS**

The Interim Results represent an extract from the condensed interim consolidated financial statements, which are unaudited but have been reviewed by the Company’s auditor, KPMG, in accordance with Hong Kong Standard on Review Engagements 2410, “Review of Interim Financial Information Performed by the Independent Auditor of the Entity” issued by the Hong Kong Institute of Certified Public Accountants. The Interim Results have also been reviewed by the audit committee of the Board.

## **PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT**

This results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.empowerwin.com](http://www.empowerwin.com)).

The interim report of the Company for the six months ended June 30, 2024 containing all information required by the Listing Rules will be available on the above websites in due course.

By order of the Board

**Powerwin Tech Group Limited**

**Li Xiang**

*Chairman, Chief Executive Officer and Executive Director*

Hong Kong, August 28, 2024

*As of the date of this announcement, the Board comprises Mr. Li Xiang and Ms. Yu Lu as executive Directors; and Ms. Zhao Yan, Mr. Gong Peiyue and Mr. Li Kwok Tai James as independent non-executive Directors.*