

Powerwin

力盟科技集團有限公司
Powerwin Tech Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code: 2405



2024

INTERIM REPORT

CONTENTS

01	Corporate Information	2
	Chairman's Statement	4
02	Management Discussion and Analysis	6
03	Corporate Governance and Other Information	13
04	Review Report of the Auditors	19
05	Consolidated Statement of Profit or Loss and Other Comprehensive Income	21
	Consolidated Statement of Financial Position	22
	Consolidated Statement of Changes in Equity	24
	Condensed Consolidated Cash Flow Statement	26
	Notes to the Unaudited Interim Financial Report	27
06	Definitions and Glossary of Technical Terms	44

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Li Xiang (李翔)

Ms. Yu Lu (余璐)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Zhao Yan (趙焱)

Mr. Gong Peiyue (公佩鉞)

Mr. Li Kwok Tai James (李國泰)

AUDIT COMMITTEE

Mr. Li Kwok Tai James (李國泰) (*Chairman*)

Ms. Zhao Yan (趙焱)

Mr. Gong Peiyue (公佩鉞)

REMUNERATION COMMITTEE

Mr. Gong Peiyue (公佩鉞) (*Chairman*)

Ms. Yu Lu (余璐)

Ms. Zhao Yan (趙焱)

NOMINATION COMMITTEE

Mr. Li Xiang (李翔) (*Chairman*)

Ms. Zhao Yan (趙焱)

Mr. Gong Peiyue (公佩鉞)

JOINT COMPANY SECRETARIES

Ms. Yu Lu (余璐)

Ms. Lam Wing Chi (林穎芝) *ACG, HKACG*

AUTHORIZED REPRESENTATIVES

Ms. Yu Lu (余璐)

Ms. Lam Wing Chi (林穎芝) *ACG, HKACG*

AUDITOR

KPMG

Public Interest Entity Auditor registered in accordance with the Accounting and Financial Reporting Council Ordinance

8th Floor, Prince's Building

10 Chater Road, Central

Hong Kong

HONG KONG LEGAL ADVISOR

Norton Rose Fulbright Hong Kong

38/F., Jardine House

1 Connaught Place, Central

Hong Kong

COMPLIANCE ADVISOR

Maxa Capital Limited

Unit 2602, 26/F, Golden Centre

188 Des Voeux Road Central

Sheung Wan

Hong Kong

PRINCIPAL PLACE OF BUSINESS IN THE PRC

Block B, Building 1

Zhubang 2000 Business Center

Chaoyang District, Beijing

PRC

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3709, West Tower

Shun Tak Centre

Sheung Wan

Hong Kong

CORPORATE INFORMATION

PRINCIPAL BANKERS

China Merchants Bank (Dongsihuan Sub-branch)

Block A, Yuanyang International Center
56 Dongsihuan Zhonglu
Chaoyang District, Beijing
PRC

DBS Bank (Hong Kong) Limited

G/F., The Center
99 Queen's Road Central
Central
Hong Kong

The Hongkong and Shanghai Banking Corporation Limited

1/F, HSBC Centre Tower 2
1 Sham Mong Road
Kowloon
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Services (Cayman Islands) Limited

Third Floor, Century Yard
Cricket Square, P.O. Box 902
Grand Cayman, KY1-1103
Cayman Islands

HONG KONG SHARE REGISTRAR

Tricor Investor Services Limited

17/F, Far East Finance Centre
16 Harcourt Road
Hong Kong

STOCK CODE

02405

COMPANY WEBSITE

www.empowerwin.com

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

I am pleased to present the business review and prospect of Powerwin Tech Group Limited and its subsidiaries for the six months ended June 30, 2024.

RESULTS

For the six months ended June 30, 2024, our Group recorded revenue of US\$7.4 million, representing a decrease of 15.9% from US\$8.8 million for the six months ended June 30, 2023. Our profit for the period decreased 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. Basic and diluted earnings per share for the six months ended June 30, 2024 was US\$0.04 cents as compared to US\$0.29 cents for the six months ended June 30, 2023. As of June 30, 2024, we have served more than 2,900 marketers, covering a variety of industry verticals of e-commerce, online games and apps including major and well-known media publishers globally.

Our Group has adopted a prudent financial management approach towards its treasury policies to ensure healthy and safe key financial indicators.

2024 INTERIM REVIEW

Looking back to the first half of 2024, challenges and opportunities coexisted in the cross-border digital marketing industry. While the competition in digital marketing services have intensified, there is still a high demand for cross-border digital marketing services due to the continuous growth of China-based cross-border e-commerce merchants. Such high demand for cross-border digital marketing services has led to an increase in the gross billing to our marketers from US\$288.4 for the six months ended June 30, 2023 to US\$450.5 million for the six months ended June 30, 2024. Moreover, technological innovations such as AR, AI, and big data enable cross-border digital marketing services providers as well as online-shop SaaS solutions providers to achieve technological changes.

In line with the industry situation, our Group adheres to the customer-needs oriented development logic and is committed to diversified marketing solutions for a wide array of industry sector and sizes, with a focus on large-scale China-based e-commerce marketers. Our Group empowers its business with technologies including big data, cloud computing and AI technologies for enhancing the performance of self-developed SaaS-based Adorado and Powershopy platforms, delivering one-stop intelligent cross-border solution to customers. Based on our understanding of the importance of social media, our Group has established and maintained collaboration with major and well-known social media operators globally, including Meta, Google, TikTok, X, LinkedIn, YouTube and Snapchat, covering social networking, instant messaging, search engine and short-video media platforms.

CHAIRMAN'S STATEMENT

2024 OUTLOOK

Going forward, we will continue to enhance the service quality to our core customers in order to increase the share of wallet from them. Our Group plans to leverage our dual SaaS platform capability to support the increase in business scale of our cross-border e-commerce merchants. We will also further optimize our cost structure and improve the overall efficiency in human resources by increasing the degree of RPA in our business operations.

We plan to continue to optimize and upgrade our Adorado and Powershopy platforms through utilizing the everevolving AI technologies, developing SaaS solutions which are helpful to our cross-border e-commerce merchants, expanding marketer coverage, broadening sales channels, enhancing brand reputation, establishing our global business network and strengthening our capabilities to provide localization services in overseas markets and selectively seek opportunities for strategic cooperation and investment.

Our Group will seek to further expand and diversify our marketer base, establish overseas business presence and widen our global coverage of cross-border digital marketing business. Emerging markets such as Southeast Asia and the Middle East are among our top options where local teams or offices will be established. We propose to seek opportunities to cooperate with or invest in businesses which can align with or strengthen our existing business or service capabilities and are strategically favourable to our long-term objectives. Our Group will also take advantage of AI technologies to drive the optimization and upgrading of our Adorado and Powershopy platforms through deepening data analysis and improving the efficiency and quality of video production.

ACKNOWLEDGEMENT

On behalf of our Board, I would like to express our gratitude to all Shareholders, business partners and customers for their ongoing support and trust to our Group, as well as to our Board members, management team and staff for their dedication and contributions over the year. In the second half of 2024, we will continue to expand our business in order to create greater value for our Shareholders.

Li Xiang

Chairman, Chief Executive Officer and Executive Director

Hong Kong, August 28, 2024

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

MANAGEMENT DISCUSSION AND ANALYSIS

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CG CODE

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 CG Code during the six months ended June 30, 2024.

Pursuant to code 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 OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding directors' securities transactions. After having made specific enquiries, 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.

CHANGES IN THE INFORMATION OF DIRECTORS AND CHIEF EXECUTIVE OF THE COMPANY

There has been no disclosable change in information of the Directors and chief executive of the Company pursuant to Rule 13.51B(1) of the Listing Rules since the publication of the 2023 annual report of the Company.

CORPORATE GOVERNANCE AND OTHER INFORMATION

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As of June 30, 2024, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company or any of its associated corporations (as defined in Part XV of the SFO) as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix C3 to the Listing Rules were as follows:

(a) Interest in Shares and underlying Shares

Name of Director	Capacity/Nature of Interest	Number of Shares/ Underlying Shares	Approximately Percentage of Shareholding in our Company ⁽¹⁾	Long Position/ Short Position/ Lending Pool
Mr. Li	Interest in a controlled corporation ⁽²⁾	96,000,000	12.00%	Long Position
	Settlor of a discretionary trust ⁽³⁾	144,000,000	18.00%	Long Position
	Interest of spouse ⁽⁴⁾	360,000,000	45.00%	Long Position
Ms. Yu	Interest in a controlled corporation ⁽⁵⁾	6,000,000	0.75%	Long Position
	Settlor of a discretionary trust ⁽⁶⁾	354,000,000	44.25%	Long Position
	Interest of spouse ⁽⁴⁾	240,000,000	30.00%	Long Position

Notes:

- (1) The percentage of shareholding was calculated based on our Company's total number of issued shares as of June 30, 2024 (i.e. 800,000,000 Shares).
- (2) Our Company is held directly by Total Best and Wealth Express as to 0.75% and 11.25%, respectively. Each of Total Best and Wealth Express is wholly owned by Mr. Li. Mr. Li is deemed to be, or taken to be, interested in all the Shares held by Total Best and Wealth Express for the purpose of the SFO.
- (3) The Imperial Trust is a discretionary trust established by Mr. Li (as the settlor) and the beneficiaries of which include Ms. Yu and Mr. Li's family members. Our Company is held directly by Into One as to 18.00%. As such, Mr. Li is deemed to be interested in the Shares held by Into One for the purpose of the SFO.
- (4) Mr. Li and Ms. Yu are spouses. Therefore, each of them is deemed to be interested in all the Shares the other party is interested in for the purpose of the SFO.
- (5) Our Company is held directly by Lucky Linkage as to 0.75%. Lucky Linkage is wholly owned by Ms. Yu. Ms. Yu is deemed to be, or taken to be, interested in all the Shares held by Lucky Linkage for the purpose of the SFO.
- (6) The Tranquil Trust is a discretionary trust established by Ms. Yu (as the settlor) and the beneficiaries of which include Mr. Li and Ms. Yu's family members. Our Company is held directly by Common Excellence as to 44.25%. As such, Ms. Yu is deemed to be interested in the Shares held by Common Excellence for the purpose of the SFO.

CORPORATE GOVERNANCE AND OTHER INFORMATION

(b) Interest in associated corporations of our Company

As of June 30, 2024, none of the Directors or the chief executive of our Company had an interest or short position in the shares, underlying shares and debentures of any of our Company's associated corporations (within the meaning of Part XV of the SFO).

Save as disclosed above, as of June 30, 2024, none of the Directors and chief executives of our Company had any interests or short positions in any Shares, underlying shares and debentures of the Company or any of its associated corporations as defined under Part XV of the SFO which would have to be notified to the Company and the Stock Exchange as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise should be notified to the Company and the Stock Exchange pursuant to the Model Code.

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

As of June 30, 2024, to the best knowledge of the Directors, the following persons (not being a Director or chief executive of our Company) had interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept by our Company pursuant to section 336 of the SFO:

Name of Shareholder	Capacity/Nature of Interest	Number of Shares/ Underlying Shares	Approximately Percentage of Shareholding in our Company ⁽¹⁾	Long Position/ Short Position/ Lending Pool
Common Excellence	Beneficial owner ⁽²⁾	354,000,000	44.25%	Long Position
Total Mice	Interest in controlled corporation ⁽²⁾	354,000,000	44.25%	Long Position
Into One	Beneficial owner ⁽³⁾	144,000,000	18.00%	Long Position
Honest Beauty	Interest in controlled corporation ⁽³⁾	144,000,000	18.00%	Long Position
Wealth Express	Beneficial owner ⁽⁴⁾	90,000,000	11.25%	Long Position
Trustee	Trustee of the Tranquil Trust ⁽²⁾	354,000,000	44.25%	Long Position
	Trustee of the Imperial Trust ⁽³⁾	144,000,000	18.00%	Long Position

CORPORATE GOVERNANCE AND OTHER INFORMATION

Notes:

- (1) The percentage of shareholding was calculated based on our Company's total number of issued shares as of June 30, 2024 (i.e. 800,000,000 Shares).
- (2) The Trustee, acting as the trustee of the Tranquil Trust, holds the entire issued share capital of Total Mice, which in turn holds the entire issued share capital of Common Excellence. The Tranquil Trust is a discretionary trust established by Ms. Yu (as the settlor) and the beneficiaries of which include Mr. Li and Ms. Yu's family members. Our Company is held directly by Common Excellence as to 44.25%. As such, Ms. Yu is deemed to be interested in the Shares held by Common Excellence for the purpose of the SFO.
- (3) The Trustee, acting as the trustee of the Imperial Trust, holds the entire issued share capital of Honest Beauty, which in turn holds the entire issued share capital of Into One. The Imperial Trust is a discretionary trust established by Mr. Li (as the settlor) and the beneficiaries of which include Ms. Yu and Mr. Li's family members. Our Company is held directly by Into One as to 18.00%. As such, Mr. Li is deemed to be interested in the Shares held by Into One for the purpose of the SFO.
- (4) Wealth Express is wholly owned by Mr. Li. Mr. Li is deemed to be, or taken to be, interested in all the Shares held by Total Best and Wealth Express for the purpose of the SFO.

Save as disclosed above, as of June 30, 2024, the Directors were not aware of any persons (who were not Directors or chief executive of our Company) who had an interest or short position in the Shares or underlying Shares of our Company which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

USE OF NET PROCEEDS FROM THE INITIAL PUBLIC OFFERING

The Company's shares were listed on the Main Board of the Stock Exchange on March 31, 2023 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**").

CORPORATE GOVERNANCE AND OTHER INFORMATION

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

Purpose	Approximate percentage of Net Proceeds	Allocation of Net proceeds (HK\$ million)	Unutilized	Utilized	Unutilized	Expected timeline for the use of unutilized Net Proceeds ^(Note)
			amount of Net Proceeds as of December 31, 2023 (HK\$ million)	amount of Net Proceeds during the six months ended June 30, 2024 (HK\$ million)	amount of Net Proceeds as of June 30, 2024 (HK\$ million)	
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		96.8	74.4	4.8	69.6	

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.

CORPORATE GOVERNANCE AND OTHER INFORMATION

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S 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.

DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2024 (six months ended June 30, 2023: Nil).

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 report.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established the Audit Committee with written terms of reference in accordance with the CG Code. The primary duties of the Audit Committee are to review and supervise our financial reporting process and internal control system of the Group, oversee the audit process, provide advice and comments to the Board and perform other duties and responsibilities as may be assigned by the Board.

The Group's interim results for the six months ended June 30, 2024 have not been audited by the auditors of the Company. The Audit Committee comprises three members and is chaired by an independent non-executive Director, Mr. Li Kwok Tai James, and consists of another two independent non-executive Directors, Ms. Zhao Yan and Mr. Gong Peiyue. The Audit Committee has reviewed the Company's unaudited interim results for the six months ended June 30, 2024 and confirmed that it has complied all applicable accounting principles, standards and requirements, and made sufficient disclosures. The Audit Committee has also discussed the matters of financial reporting.

REVIEW REPORT OF THE AUDITORS



Review report to the board of directors of Powerwin Tech Group Limited

(Incorporated in Cayman Islands with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 21 to 43 which comprises the consolidated statement of financial position of Powerwin Tech Group Limited (the “**Company**”) as of 30 June 2024 and the related consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and condensed consolidated cash flow statement for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants. The directors are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review 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. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

REVIEW REPORT OF THE AUDITORS

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2024 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants
8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

28 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED
(EXPRESSED IN US DOLLARS ("USD"))

	Note	Six months ended 30 June	
		2024 USD'000	2023 USD'000
Revenue	3	7,368	8,764
Cost of sales		<u>(1,139)</u>	<u>(1,176)</u>
Gross profit		<u>6,229</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	4	<u>328</u>	<u>78</u>
Profit from operations		<u>2,922</u>	<u>4,358</u>
Finance costs	5(a)	(2,680)	(2,016)
Changes in fair value of financial assets		<u>55</u>	<u>29</u>
Profit before taxation	5	<u>297</u>	<u>2,371</u>
Income tax	6	<u>41</u>	<u>(347)</u>
Profit for the period		<u>338</u>	<u>2,024</u>
Other comprehensive income for the period (after tax)			
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>
Other comprehensive income for the period		<u>25</u>	<u>(10)</u>
Total comprehensive income for the period attributable to equity shareholders of the Company		<u>363</u>	<u>2,014</u>
Earnings per share			
Basic and diluted (cents)	7	<u>0.04</u>	<u>0.29</u>

The notes on pages 27 to 43 form part of this interim financial report. Details of dividends payable to equity shareholders of the Company are set out in note 13(a).

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024 – UNAUDITED
(EXPRESSED IN US DOLLARS)

	Note	At 30 June 2024 USD'000	At 31 December 2023 USD'000
Non-current assets			
Property, plant and equipment		75	87
Right-of-use assets	8	552	838
Other non-current assets		1,000	1,000
Intangible assets		29	32
Financial assets measured at fair value through profit or loss		2,801	2,765
Deferred tax assets		1,359	1,099
		<u>5,816</u>	<u>5,821</u>
Current assets			
Trade and other receivables	9	238,078	197,602
Cash and cash equivalents	10	16,670	21,814
		<u>254,748</u>	<u>219,416</u>
Current liabilities			
Trade and other payables	11	123,842	128,976
Contract liabilities		6,451	4,170
Bank loans	12	98,522	60,254
Lease liabilities		514	595
Current taxation		675	703
		<u>230,004</u>	<u>194,698</u>
Net current assets		<u>24,744</u>	<u>24,718</u>
Total assets less current liabilities		<u>30,560</u>	<u>30,539</u>
Non-current liabilities			
Bank loans	12	626	768
Lease liabilities		53	253
		<u>679</u>	<u>1,021</u>
Net assets		<u>29,881</u>	<u>29,518</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024 – UNAUDITED (CONTINUED)
(EXPRESSED IN US DOLLARS)

	Note	At 30 June 2024 USD'000	At 31 December 2023 USD'000
CAPITAL AND RESERVES	13		
Share capital		8,000	8,000
Reserves		21,881	21,518
TOTAL EQUITY		29,881	29,518

Authorised for issue by the board of directors on 28 August 2024.

Mr. Li Xiang

*Chairman, Chief Executive Officer and
Executive Director*

Ms. Yu Lu

Executive Director

The notes on pages 27 to 43 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED
(EXPRESSED IN US DOLLARS)

	Share capital USD'000	Share premium USD'000	Exchange reserve USD'000	Retained profits USD'000	Total equity USD'000
Balance at 1 January 2023	10	–	(130)	6,433	6,313
Changes in equity for the six months ended 30 June 2023					
Profit for the period	–	–	–	2,024	2,024
Other comprehensive income	–	–	(10)	–	(10)
Total comprehensive income	–	–	(10)	2,024	2,014
Issue of ordinary shares by initial public offering, net of listing expenses	2,000	13,943	–	–	15,943
Effect of the capitalisation issue	5,990	(5,990)	–	–	–
Balance at 30 June 2023 and 1 July 2023	8,000	7,953	(140)	8,457	24,270
Changes in equity for the six months ended 31 December 2023					
Profit for the period	–	–	–	5,161	5,161
Other comprehensive income	–	–	87	–	87
Total comprehensive income	–	–	87	5,161	5,248
Balance at 31 December 2023	8,000	7,953	(53)	13,618	29,518

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED (CONTINUED)
(EXPRESSED IN US DOLLARS)

	Share capital USD'000	Share premium USD'000	Exchange reserve USD'000	Retained profits USD'000	Total equity USD'000
Balance at 1 January 2024	8,000	7,953	(53)	13,618	29,518
Changes in equity for the six months ended 30 June 2024					
Profit for the period	–	–	–	338	338
Other comprehensive income	–	–	25	–	25
Total comprehensive income	–	–	25	338	363
Balance at 30 June 2024	8,000	7,953	(28)	13,956	29,881

The notes on pages 27 to 43 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2024 – UNAUDITED
(EXPRESSED IN US DOLLARS)

	Note	Six months ended 30 June	
		2024 USD'000	2023 USD'000
Operating activities			
Cash used in operations		(40,390)	(30,075)
Income tax paid		(248)	(324)
Interest received		328	97
Net cash used in operating activities		(40,310)	(30,302)
Investing activities			
Payment for the purchase of property, plant, and equipment		(3)	(11)
Net cash used in investing activities		(3)	(11)
Financing activities			
Capital element of lease rentals paid		(297)	(188)
Proceeds from new bank loans		351,232	266,206
Repayment of bank loans		(313,166)	(261,994)
Payment of listing expenses		(5)	(552)
Interest expense paid		(2,604)	(2,006)
Interest element of lease rentals paid		(16)	(16)
Net proceeds from issuance of shares by initial public offering		–	17,835
Dividends paid to equity shareholders of the Company		–	(1,298)
Net cash generated from financing activities		35,144	17,987
Net decrease in cash and cash equivalents		(5,169)	(12,326)
Cash and cash equivalents at 1 January		21,814	27,716
Effect of foreign exchange rate changes		25	(7)
Cash and cash equivalents at 30 June	10	16,670	15,383

The notes on pages 27 to 43 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

1 Basis of preparation

This interim financial report 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 interim financial report 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.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of Powerwin Tech Group Limited (the “**Company**”) and its subsidiaries (the “**Group**”) since the 2023 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with Hong Kong Financial Reporting Standards (“**HKFRSs**”).

The interim financial report is unaudited, but has been reviewed by 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 HKICPA.

KPMG’s independent review report to the Board of Directors is included on pages 19 to 20.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

2 Changes in accounting policies

The Group has applied the following amendments to 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

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 HKFRS15 by major services is as follows:

	Six months ended 30 June	
	2024 USD'000	2023 USD'000
Cross-border digital marketing services		
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>
Cross-border online-shop SaaS solutions	<u>1,373</u>	<u>1,354</u>
	<u>7,368</u>	<u>8,764</u>

	Six months ended 30 June	
	2024 USD'000	2023 USD'000
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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

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:

	Six months ended 30 June	
	2024 USD'000	2023 USD'000
Customer I	2,363	1,709
Customer II	2,935	2,052
Customer III	1,024	N/A*
Customer IV	N/A*	1,070
	<u>7,368</u>	<u>1,070</u>

* 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:

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

3 Revenue and segment information (Continued)

(b) Segment information (Continued)

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.

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

4 Other income

	Six months ended 30 June	
	2024 USD'000	2023 USD'000
Interest income	328	97
Foreign exchange loss	(1)	(23)
Other income	1	4
	<u>328</u>	<u>78</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

5 Profit before taxation

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

(a) Finance costs:

	Six months ended 30 June	
	2024 USD'000	2023 USD'000
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:

	Six months ended 30 June	
	2024 USD'000	2023 USD'000
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:

	Six months ended 30 June	
	2024 USD'000	2023 USD'000
Gains from changes in fair value of financial assets (note 14(a)(ii))	(55)	(29)
Listing expenses	–	1,057
Research and development costs (note (a))	614	592
Amortisation cost of intangible assets	3	4
Depreciation		
– property, plant and equipment	15	9
– right-of-use assets (note 8)	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 (the six months ended 30 June 2023: USD592,000) are included in the staff costs as disclosed above.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

6 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:

	Six months ended 30 June	
	2024 USD'000	2023 USD'000
Current tax		
Provision for the period	220	366
	220	366
Deferred tax		
Origination and reversal of temporary differences	(261)	(19)
	(41)	347

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%).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

7 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

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

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.

8 Right-of-use assets

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

9 Trade and other receivables

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

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).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

9 Trade and other receivables (Continued)

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 30 June 2024 USD'000	At 31 December 2023 USD'000
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	17,806	21,719
	<u>245,127</u>	<u>203,614</u>

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

10 Cash and cash equivalents

Cash and cash equivalents comprise:

	At 30 June 2024 USD'000	At 31 December 2023 USD'000
Cash and cash equivalents in the consolidated statement of financial position and the condensed consolidated cash flow statement		
– Cash at bank and on hand	<u>16,670</u>	<u>21,814</u>

As of the end of the reporting period, cash and cash equivalents situated in Chinese mainland amounted to USD197,000 (31 December 2023: USD216,000). Remittance of funds out of Chinese mainland is subject to relevant rules and regulations of foreign exchange control.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

11 Trade and other payables

	At 30 June 2024 USD'000	At 31 December 2023 USD'000
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 30 June 2024 USD'000	At 31 December 2023 USD'000
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>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

12 Bank loans

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

	At 30 June 2024 USD'000	At 31 December 2023 USD'000
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	626	768
Total	99,148	61,022

(b) Assets pledged as security

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

	At 30 June 2024 USD'000	At 31 December 2024 USD'000
Secured bank loans	99,148	61,022

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

13 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).

(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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

14 Fair value measurement of financial instruments

(a) Financial assets measured at fair value

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of each reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, *Fair value measurement*.

The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

14 Fair value measurement of financial instruments (Continued)

(a) Financial assets measured at fair value (Continued)

(i) Fair value hierarchy (Continued)

The following table presents the Group's financial assets that are measured at fair value at the end of each reporting period:

	Fair value at 30 June 2024 USD'000	Fair value measurements as at 30 June 2024 categorised into		
		Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Recurring fair value measurement				
Financial assets measured at fair value through profit or loss:				
Deposit component of the insurance contracts	2,801	-	-	2,801

	Fair value at 31 December 2023 USD'000	Fair value measurements as at 31 December 2023 categorised into		
		Level 1 USD'000	Level 2 USD'000	Level 3 USD'000
Recurring fair value measurement				
Financial assets measured at fair value through profit or loss:				
Deposit component of the insurance contracts	2,765	-	-	2,765

During the six months ended 30 June 2024 and the year ended 31 December 2023, there were no transfers between Level 1 and Level 2, or transfer into or out of Level 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

14 Fair value measurement of financial instruments (Continued)

(a) Financial assets measured at fair value (Continued)

(ii) Information about Level 3 fair value measurements

The fair value of the deposit component of the insurance contracts was measured based on the statements provided by the insurance company.

The movements during the period in the balance of these Level 3 fair value measurements are as follows:

	2024 USD'000	2023 USD'000
As at 1 January	2,765	1,527
Changes in fair value recognised in profit or loss during the period	55	29
Used for monthly insurance fee charged	(19)	(9)
As at 30 June	<u>2,801</u>	<u>1,547</u>

(b) Fair values of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial instruments carried at amortised cost were not materially different from their fair values as at 30 June 2024 and 31 December 2023 because of the short-term maturities of all these financial instruments.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

15 Commitments

Commitments outstanding at 30 June 2024 not provided for in the interim financial report are as follows:

	At 30 June 2024 USD'000	At 31 December 2023 USD'000
Contracted for acquisition of other non-current assets	<u>1,080</u>	<u>1,080</u>

16 Material related party transactions

(a) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors was as follows:

	Six months ended 30 June	
	2024 USD'000	2023 USD'000
Salaries, allowances and benefits	407	412
Retirement scheme contributions	<u>21</u>	<u>17</u>
Short-term employee benefits	<u>428</u>	<u>429</u>

(b) Other transactions with related parties

For the six months ended 30 June 2024 and 2023, the Group did not have material transactions or outstanding balances with related parties.

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“AI”	artificial intelligence
“AR”	augmented reality
“Audit Committee”	the audit committee under the Board
“Board”	board of directors of our Company
“BVI”	the British Virgin Islands
“CG Code”	the Corporate Governance Code as set out in Part 2 of Appendix C1 to the Listing Rules
“China” or “PRC”	the People’s Republic of China, but for the purposes of this interim report and for geographical reference only (unless otherwise indicated), excluding Hong Kong, the Macao Special Administrative Region of the PRC and Taiwan
“Common Excellence”	Common Excellence International Group Limited, a company with limited liability incorporated under the laws of BVI on October 27, 2021 and one of our Controlling Shareholders
“Company” or “we” or “our Company”	Powerwin Tech Group Limited (力盟科技集團有限公司), an exempted company with limited liability incorporated under the laws of the Cayman Islands on June 7, 2019
“Controlling Shareholders”	has the meaning ascribed to it under the Listing Rules and, with respect to our Company, refers to any of Mr. Li, Ms. Yu, Lucky Linkage, Total Best, Wealth Express, Total Mice, Common Excellence, Honest Beauty and Into One
“Director”	a director of our Company
“Group”, “our Group”, “we”, “our” or “us”	our Company and, where appropriate, its subsidiaries or, in respect of the period before our Company became the holding company of its present subsidiaries, the businesses operated by such subsidiaries or their predecessors, as the case may be
“HK\$” or “HKD”	Hong Kong dollars, the lawful currency of Hong Kong
“HKFRSs”	Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards, amendments and the related interpretations issued by the Hong Kong Institute of Certified Public Accountants

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Honest Beauty”	Honest Beauty International Group Company Limited, a company with limited liability incorporated under the laws of BVI on September 1, 2021 and one of our Controlling Shareholders
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Imperial Trust”	the family trust established by Mr. Li as settlor and constituted by the trust deed dated January 4, 2022 entered into between Mr. Li and the Trustee
“Into One”	Into One International Group Limited, a company with limited liability incorporated under the laws of BVI on October 27, 2021 and one of our Controlling Shareholders
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Lucky Linkage”	Lucky Linkage International Holdings Limited (福聯國際控股有限公司), a company with limited liability incorporated under the laws of BVI on September 18, 2018 and one of our Controlling Shareholders
“Main Board”	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange
“Model Code”	Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules
“Mr. Li”	Mr. Li Xiang, chairman of the Board, an executive Director and the chief executive officer of our Company, and one of our Controlling Shareholders
“Ms. Yu”	Ms. Yu Lu, an executive Director and the deputy chief operating officer of our Company, and one of our Controlling Shareholders
“RPA”	robotic process automation
“SaaS”	software as a service, a software licensing and delivery model in which software is licensed on a subscription basis and is centrally hosted
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time

DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Share(s)”	ordinary share(s) in the share capital of our Company with a nominal value of US\$0.01 each
“Shareholder”	a holder of our Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Total Best”	Total Best International Group Limited (匯好國際集團有限公司), a company with limited liability incorporated under the laws of BVI on September 18, 2018 and one of our Controlling Shareholders
“Total Mice”	Total Mice International Group Company Limited, a company with limited liability incorporated under the laws of BVI on September 1, 2021 and one of our Controlling Shareholders
“Tranquil Trust”	the family trust established by Ms. Yu as settlor and constituted by the trust deed dated January 4, 2022 entered into between Ms. Yu and the Trustee
“Trustee”	HSBC International Trustee Limited, a company with limited liability incorporated under the laws of BVI, being the trustee of each of the Imperial Trust and the Tranquil Trust
“US\$” or “USD”	United States dollars, the lawful currency of the United States
“United States”	the United States of America, its territories and possessions, any State of the United States and the District of Columbia
“Wealth Express”	Wealth Express International Investment Limited (向財國際投資有限公司), a company with limited liability incorporated under the laws of BVI on July 10, 2018 and one of our Controlling Shareholders
“%”	per cent.