

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

INTERIM REPORT 2023



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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 1908, Harbour Center

25 Harbour Road, Wanchai

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

5/F, Manulife Place

348 Kwun Tong Road

Kowloon, 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

Maples Fund Services (Cayman) Limited

PO Box 1093, Boundary Hill
Cricket Square
Grand Cayman, KY1-1102
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, 2023.

RESULTS

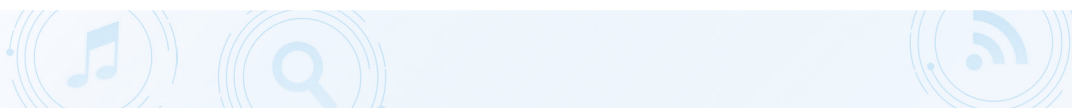
For the six months ended June 30, 2023, our Group recorded revenue of US\$8.8 million, representing a growth of 40.7% from US\$6.2 million for the six months ended June 30, 2022. Our profit for the period increased to US\$2.0 million for the six months ended June 30, 2023 from US\$1.5 million for the six months ended June 30, 2022. Basic and diluted earnings per share for the six months ended June 30, 2023 was US\$0.29 cents as compared to US\$0.25 cents for the six months ended June 30, 2022. As of June 30, 2023, we have served more than 2,500 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.

2023 INTERIM REVIEW

Looking back to the first half of 2023, challenges and opportunities coexisted in the cross-border digital marketing industry. As the measures for the prevention and control of the COVID-19 were fully lifted in the PRC, the economy observed certain recovery. The gross billing to our marketers increased to US\$288.4 million for the six months ended June 30, 2023 from US\$222.6 million for the six months ended June 30, 2022. However, the complicated and changeable external environment still brought challenges to the recovery of the global economy. 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 Powershopify 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, Twitter, LinkedIn, YouTube and Snapchat, covering social networking, instant messaging, search engine and short-video media platforms.



CHAIRMAN'S STATEMENT

2023 OUTLOOK

Going forward, our Group will continue to capitalize on our deep understanding of marketers' evolving needs by cultivating and refining our "digital marketing + online-shop SaaS" dual business model. In particular, we will continue to optimize and upgrade our Adorado and Powershopy platforms through investment and innovation. We also intend to constantly expand the business scale and scope of our cross-border digital marketing services and online-shop SaaS solutions.

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 are among our top options where local teams or offices will be established. We further 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.

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 2023, 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 30, 2023



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.

By leveraging our strong ties with both marketers and media publishers, our industry insight and caliber and our SaaS and data analytical capabilities, our revenue increased to US\$8.8 million for the six months ended June 30, 2023 from US\$6.2 million for the six months ended June 30, 2022.

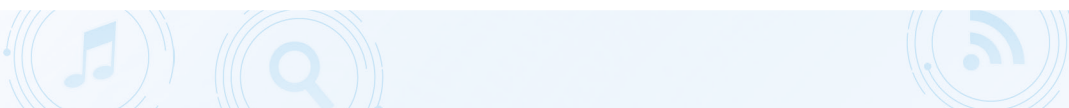
BUSINESS REVIEW

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 2,500 marketers as of June 30, 2023, covering a variety of industry verticals of e-commerce, online games and apps. We had, as of June 30, 2023, 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, Twitter, 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



MANAGEMENT DISCUSSION AND ANALYSIS

- **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 Powershoply, 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 Powershoply platform.

EMPLOYEES AND REMUNERATION POLICY

Our Group had 80 full-time employees as of June 30, 2023 (as of June 30, 2022: 87). Our staff cost included in cost of sales and the expenses of other staff in aggregate amounted to US\$1.9 million for the six months ended June 30, 2023. 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, 2023, both our cross-border digital marketing and cross-border online-shop SaaS solutions businesses continued to grow, and, to the best of our knowledge, there is no change to the overall economic and market condition in China or in the industries in which we operate that may have a material adverse effect on our results of operations and financial position.

Going forward, we plan to continue to optimize and upgrade our Adorado and Powershoply 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 increased by 40.7% to US\$8.8 million for the six months ended June 30, 2023 from US\$6.2 million for the six months ended June 30, 2022, primarily attributable to the increase in our revenue from both cross-border digital marketing services and cross-border online-shop SaaS solutions.

Revenue from cross-border digital marketing services

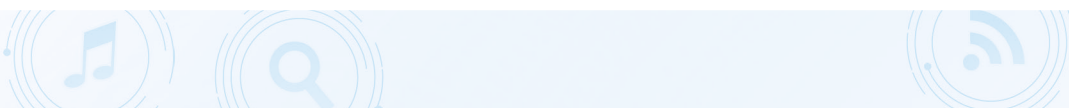
- Standardized digital marketing services. Revenue from standardized digital marketing services increased by 35.3% to US\$4.7 million for the six months ended June 30, 2023 from US\$3.4 million for the six months ended June 30, 2022 as a result of the increase in gross billing of our marketers.
- Customized digital marketing services. Revenue from customized digital marketing services increased by 48.4% to US\$2.3 million for the six months ended June 30, 2023 from US\$1.6 million for the six months ended June 30, 2022, which was primarily attributable to our efforts to attract more new marketers to use our customized digital marketing services.
- SaaS-based digital marketing services. Revenue from SaaS-based digital marketing services decreased by 56.8% to US\$0.4 million for the six months ended June 30, 2023 from US\$1.0 million for the six months ended June 30, 2022. The decrease was mainly due to a decrease in the service fee rate adopted for SaaS-based digital marketing with respect to one of our major marketers which is a large cross-border e-commerce marketplace operator in China.

Revenue from cross-border online-shop SaaS solutions

Revenue from cross-border online-shop SaaS solutions significantly increased by 601.6% to US\$1.4 million for the six months ended June 30, 2023 from US\$0.2 million for the six months ended June 30, 2022, which was primarily due to (i) an increase in the number of customers; (ii) an increase in the number of standalone online shops established through our Powershopy platform; and (iii) the growth of GMV generated by our customers' standalone online shops.

Cost of Sales

Our cost of sales decreased to US\$1.2 million for the six months ended June 30, 2023 from US\$1.4 million for the six months ended June 30, 2022, 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 increased by 57.4% to US\$7.6 million for the six months ended June 30, 2023 from US\$4.8 million for the six months ended June 30, 2022. The increase was primarily due to the increases in our revenue from standardized digital marketing services, customized digital marketing services and cross-border online-shop SaaS solutions and the decrease in our cost of sales. Our overall gross profit margin increased to 86.6% for the six months ended June 30, 2023 from 77.4% for the six months ended June 30, 2022, which was mainly due to (i) the increase in the gross profit margin of our cross-border online-shop SaaS solutions as a result of the significant increase in our revenue of cross-border online-shop SaaS solutions; and (ii) the increases in the gross profit margins of standardized digital marketing services and customized digital marketing services as a result of the decreases in cost of sales for such business segments.

Marketing Expenses

Our marketing expenses remained relatively stable at US\$0.3 million for the six months ended June 30, 2022 and 2023.

Administrative Expenses

Our administrative expenses increased to US\$2.9 million for the six months ended June 30, 2023 from US\$1.8 million for the six months ended June 30, 2022, which was primarily in relation to our listing expenses.

Expected Credit Losses on Trade Receivables

Our expected credit losses on trade receivables decreased to US\$0.1 million for the six months ended June 30, 2023 from US\$0.2 million for the six months ended June 30, 2022.

Finance Costs

Our finance costs increased to US\$2.0 million for the six months ended June 30, 2023 from US\$0.8 million for the six months ended June 30, 2022. The increase was primarily due to an increase of interest on bank loans of US\$1.2 million mainly attributable to an increase in market interest rate in the first half of 2023.

Income Tax Expense

Our income tax expenses increased to US\$0.3 million for the six months ended June 30, 2023 from US\$0.2 million for the six months ended June 30, 2022, which was primarily due to the increase in our profit before taxation. Our effective income tax rate was 14.0% and 14.6% for the six months ended June 30, 2022 and 2023, respectively.



MANAGEMENT DISCUSSION AND ANALYSIS

Profit for the Period

As a result of the foregoing, our profit for the period increased by 36.3% to US\$2.0 million for the six months ended June 30, 2023 from US\$1.5 million for the six months ended June 30, 2022. Our net profit margin decreased to 23.1% for the six months ended June 30, 2023 from 23.8% for the six months ended June 30, 2022, which was primarily due to the increases in administrative expenses and finance costs.

Trade Receivables

Our trade receivables increased to US\$134.3 million as of June 30, 2023 from US\$113.2 million as of December 31, 2022, which was primarily due to the extension of credit period to our certain major customers in order to enhance our competitive strength.

Trade and Other Payables

Our trade and other payables decreased to US\$84.5 million as of June 30, 2023 from US\$99.8 million as of December 31, 2022, which was primarily because our trade payables remained relatively higher at the end of the fourth quarter of 2022, which was an e-commerce peak season for marketers to allocate a significant portion of their marketing budgets.

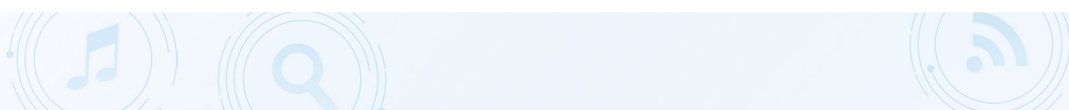
Bank Loans

Our bank loans increased to US\$33.2 million as of June 30, 2023 from US\$29.0 million as of December 31, 2022, which was primarily because we increased the utilization of bank loans in order to support our business expansion and development.

Liquidity and Financial Resources

Our cash and cash equivalents were primarily denominated in U.S. dollars. As of December 31, 2022 and June 30, 2023, we had cash and cash equivalents of US\$27.7 million and US\$15.4 million, respectively. Such decrease in cash and cash equivalents was primarily because (i) in the first half of 2023, we settled payments with media publishers for the gross spending for the fourth quarter of 2022 which was relatively high; and (ii) we extended the credit period to our certain major customers in the first half of 2023.

Our net current assets significantly increased to US\$21.6 million as of June 30, 2023 from US\$4.1 million as of December 31, 2022. This increase was primarily due to an increase in trade and other receivables of US\$20.2 million, partially offset by (i) a decrease in trade and other payables of US\$15.3 million; and (ii) a decrease in cash and cash equivalents of US\$12.3 million.



MANAGEMENT DISCUSSION AND ANALYSIS

Our major financing resources are bank loans and equity financing. We had bank loans of US\$29.0 million and US\$33.2 million as of December 31, 2022 and June 30, 2023, respectively, which were primarily used for supporting the growth of our business expansion and development. As of June 30, 2023, our bank loans were primarily denominated in U.S. dollars, among which, approximately US\$0.5 million were at fixed interest rates, and approximately US\$32.7 million were at variable rates.

Interim Dividend

The Board did not recommend any interim dividend for the six months ended June 30, 2023 (for the six months ended June 30, 2022: US\$7,800,000).

Gearing Ratio

Our gearing ratio, being calculated by dividing total borrowings by total equity as of the date indicated and multiplied by 100%, decreased to 136.9% as of June 30, 2023 from 459.7% as of December 31, 2022, primarily due to an increase in our total equity as a result of our Listing.

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 73.5% as of June 30, 2023 from 20.7% as of December 31, 2022, primarily due to an increase in balances of bank loans and a decrease in cash and cash equivalents, despite the increase in total equity.

Contingent Liabilities

As of December 31, 2022 and June 30, 2023, 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, 2023.

As of June 30, 2023, bank loans of US\$549,000 were guaranteed by our Group (as of December 31, 2022: US\$635,000 were jointly guaranteed by Mr. Li and Ms. Yu) and secured by financial assets measured at fair value through profit or loss. As of June 30, 2023, bank loans of US\$27,674,000 were guaranteed by our Group (as of December 31, 2022: US\$22,350,000 were guaranteed by Mr. Li and Ms. Yu) and were secured by trade receivables according to the factoring arrangements. As of June 30, 2023, bank loans of US\$5,004,000 were guaranteed by our Group (as of December 31, 2022: US\$6,036,000 were guaranteed by Mr. Li and Ms. Yu).



MANAGEMENT DISCUSSION AND ANALYSIS

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\$2.0 million for the six months ended June 30, 2023 from US\$0.8 million for the six months ended June 30, 2022. 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 Relevant Period. As of June 30, 2023, we did not have any plans for any material investments or capital assets.



CORPORATE GOVERNANCE AND OTHER INFORMATION

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE CONTAINED IN PART 2 OF APPENDIX 14 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 CG Code during the Relevant Period.

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 OF LISTED ISSUERS

The Company has adopted the Model Code as set out in Appendix 10 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 Relevant Period.

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 2022 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, 2023, 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 10 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	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, 2023 (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, 2023, 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, 2023, 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, 2023, 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

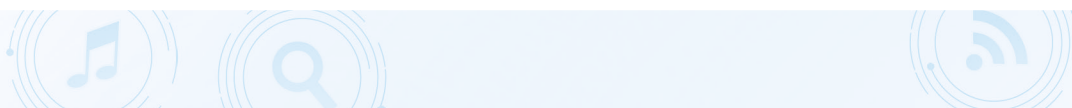
Notes:

- (1) The percentage of shareholding was calculated based on our Company's total number of issued shares as of June 30, 2023 (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, 2023, 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 PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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



CORPORATE GOVERNANCE AND OTHER INFORMATION

As of June 30, 2023, the utilization of the Net Proceeds is detailed as follows:

	Approximate percentage of Net Proceeds	Allocation of Net proceeds (HK\$ million)	Unutilized amount of Net Proceeds as of the Listing Date (HK\$ million)	Utilized amount of Net Proceeds during the Relevant Period (HK\$ million)	Unutilized amount of Net Proceeds as of June 30, 2023 (HK\$ million)	Expected timeline for the use of unutilized Net Proceeds ^(Note)
Strengthen the research and development capabilities of the Group	41.7%	40.3	40.3	–	40.3	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	9.7	9.7	–	N/A
Total		<u>96.8</u>	<u>96.8</u>	<u>9.7</u>	<u>87.1</u>	

Note:

During the period from the Listing Date and up to June 30, 2023, 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 during the Relevant Period.

DIVIDEND

The Board did not recommend any interim dividend for the six months ended June 30, 2023 (six months ended June 30, 2022: US\$7,800,000).

EVENTS AFTER THE REPORTING PERIOD

There were no other material subsequent events relating to the Group after June 30, 2023 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 as set out in Appendix 14 to the Listing Rules. 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, 2023 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, 2023 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 45 which comprises the consolidated statement of financial position of Powerwin Tech Group Limited (the “**Company**”) as of 30 June 2023 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 2023 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

30 August 2023



CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED
(EXPRESSED IN US DOLLARS ("USD"))

	Note	Six months ended 30 June	
		2023 USD'000	2022 USD'000
Revenue	3	8,764	6,227
Cost of sales		(1,176)	(1,406)
Gross profit		7,588	4,821
Marketing expenses		(274)	(304)
Administrative expenses		(2,915)	(1,832)
Expected credit losses on trade receivables		(119)	(190)
Other income	4	78	3
Profit from operations		4,358	2,498
Finance costs	5(a)	(2,016)	(799)
Changes in fair value of financial assets		29	28
Profit before taxation	5	2,371	1,727
Income tax	6(a)	(347)	(242)
Profit for the period		2,024	1,485
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		(10)	(14)
Other comprehensive income for the period		(10)	(14)
Total comprehensive income for the period attributable to equity shareholders of the Company		2,014	1,471
Earnings per share			
Basic and diluted (cents)	7	0.29	0.25

The notes on pages 27 to 45 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 2023 – UNAUDITED
(EXPRESSED IN US DOLLARS)

	Note	At 30 June 2023 USD'000	At 31 December 2022 USD'000
Non-current assets			
Property, plant and equipment		31	30
Right-of-use assets	8	1,097	320
Intangible assets		35	41
Financial assets measured at fair value through profit or loss		1,547	1,527
Deferred tax assets		878	859
		<u>3,588</u>	<u>2,777</u>
Current assets			
Trade and other receivables	9	129,719	109,545
Cash and cash equivalents	10	15,383	27,716
		<u>145,102</u>	<u>137,261</u>
Current liabilities			
Trade and other payables	11	84,484	99,773
Contract liabilities		5,278	4,332
Bank loans	12	32,852	28,560
Lease liabilities		563	224
Current taxation		332	290
		<u>123,509</u>	<u>133,179</u>
Net current assets		<u>21,593</u>	<u>4,082</u>
Total assets less current liabilities		<u>25,181</u>	<u>6,859</u>
Non-current liabilities			
Bank loans	12	375	461
Lease liabilities		536	85
		<u>911</u>	<u>546</u>
Net assets		<u>24,270</u>	<u>6,313</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITIONAT 30 JUNE 2023 – UNAUDITED (CONTINUED)
(EXPRESSED IN US DOLLARS)

	Note	At 30 June 2023 USD'000	At 31 December 2022 USD'000
CAPITAL AND RESERVES	13		
Share capital		8,000	10
Reserves		16,270	6,303
TOTAL EQUITY		24,270	6,313

Authorised for issue by the board of directors on 30 August 2023.

Mr. Li Xiang

*Chairman, Chief Executive Officer and
Executive Director*

Ms. Yu Lu

Executive Director

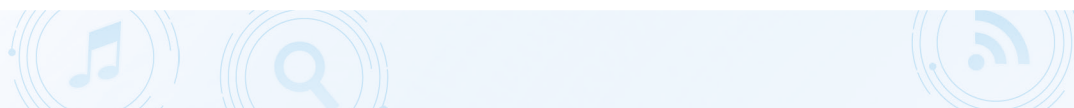
The notes on pages 27 to 45 form part of this interim financial report.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED
(EXPRESSED IN US DOLLARS)

	Note	Share capital USD'000	Share premium USD'000	Exchange reserve USD'000	Retained profits USD'000	Total equity USD'000
Balance at 1 January 2022		10	–	(90)	8,739	8,659
Changes in equity for the six months ended 30 June 2022						
Profit for the period		–	–	–	1,485	1,485
Other comprehensive income		–	–	(14)	–	(14)
Total comprehensive income		–	–	(14)	1,485	1,471
Dividends declared	13(a)	–	–	–	(7,800)	(7,800)
Balance at 30 June 2022 and 1 July 2022		10	–	(104)	2,424	2,330
Changes in equity for the six months ended 31 December 2022						
Profit for the period		–	–	–	4,009	4,009
Other comprehensive income		–	–	(26)	–	(26)
Total comprehensive income		–	–	(26)	4,009	3,983
Balance at 31 December 2022		10	–	(130)	6,433	6,313



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED (CONTINUED)
(EXPRESSED IN US DOLLARS)

	Note	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	13(b)(iii)	2,000	13,943	–	–	15,943
Effect of the capitalisation issue	13(b)(ii)	5,990	(5,990)	–	–	–
Balance at 30 June 2023		8,000	7,953	(140)	8,457	24,270

The notes on pages 27 to 45 form part of this interim financial report.



CONDENSED CONSOLIDATED CASH FLOW STATEMENT

FOR THE SIX MONTHS ENDED 30 JUNE 2023 – UNAUDITED
(EXPRESSED IN US DOLLARS)

	Note	Six months ended 30 June	
		2023 USD'000	2022 USD'000
Operating activities			
Cash (used in)/generated from operations		(29,978)	25,259
Income tax paid		(324)	(1,208)
Net cash (used in)/generated from operating activities		(30,302)	24,051
Investing activities			
Payment for the purchase of property, plant, and equipment		(11)	(1)
Payment for the purchase of intangible assets		–	(6)
Net cash used in investing activities		(11)	(7)
Financing activities			
Capital element of lease rentals paid		(188)	(194)
Proceeds from new bank loans		266,206	228,920
Repayment of bank loans		(261,994)	(233,052)
Payment of listing expenses		(552)	(223)
Interest expense paid		(2,006)	(786)
Interest element of lease rentals paid		(16)	(9)
Net proceeds from issuance of shares by initial public offering		17,835	–
Dividends paid to equity shareholders of the Company		(1,298)	(1,600)
Net cash generated from/(used in) financing activities		17,987	(6,944)
Net (decrease)/increase in cash and cash equivalents		(12,326)	17,100
Cash and cash equivalents at 1 January		27,716	15,422
Effect of foreign exchange rate changes		(7)	(13)
Cash and cash equivalents at 30 June	10	15,383	32,509

The notes on pages 27 to 45 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 30 August 2023.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2022 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2023 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 2022 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 new and amended HKFRSs issued by the HKICPA to this interim financial report for the current accounting period:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Save for the disclosure below, none of the remaining new and amended HKFRSs have a material impact on the Group's interim financial statements:

Amendments to HKAS 12, Income taxes: Deferred tax related to assets and liabilities arising from a single transaction

The amendments narrow the scope of the initial recognition exemption such that it does not apply to transactions that give rise to equal and offsetting temporary differences on initial recognition such as leases and decommissioning liabilities. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities are required to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments are applied to those transactions that occur after the beginning of the earliest period presented.

Prior to the amendments, the Group did not apply the initial recognition exemption to lease transactions and had recognised the related deferred tax, except that the Group previously determined the temporary difference arising from a right-of-use asset and the related lease liability on a net basis on the basis they arise from a single transaction. Following the amendments, the Group has determined the temporary differences in relation to right-of-use assets and lease liabilities separately. The change primarily impacts disclosures of components of deferred tax assets and liabilities in the annual financial statements, but does not impact the overall deferred tax balances presented in the consolidated statement of financial position as the related deferred tax balances qualify for offsetting under HKAS 12.



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	
	2023 USD'000	2022 USD'000
Cross-border digital marketing services		
Standardized digital marketing	4,659	3,444
Customized digital marketing	2,303	1,552
SaaS-based digital marketing	448	1,038
	<u>7,410</u>	<u>6,034</u>
Cross-border online-shop SaaS solutions	<u>1,354</u>	<u>193</u>
	<u>8,764</u>	<u>6,227</u>

	Six months ended 30 June	
	2023 USD'000	2022 USD'000
Disaggregated by timing of revenue recognition		
– Point in time	7,410	6,034
– Over time	1,354	193
	<u>8,764</u>	<u>6,227</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)

(b) Segment information

For the six months ended 30 June 2023 and 2022, 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	
	2023 USD'000	2022 USD'000
Hong Kong	8,759	6,219
Chinese mainland	5	8
	<u>8,764</u>	<u>6,227</u>

Non-current assets excluding right-of-use assets, financial assets measured at fair value through profit or loss and deferred tax assets are mainly located in Chinese mainland.

4 Other income

	Six months ended 30 June	
	2023 USD'000	2022 USD'000
Interest income	97	–
Foreign exchange loss	(23)	(2)
Other income	4	5
	<u>78</u>	<u>3</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	
	2023 USD'000	2022 USD'000
Interest on bank loans	2,000	790
Interest on lease liabilities	16	9
	<u>2,016</u>	<u>799</u>

(b) Staff costs:

	Six months ended 30 June	
	2023 USD'000	2022 USD'000
Salaries, wages and other benefits	1,778	1,982
Retirement scheme contributions	105	118
	<u>1,883</u>	<u>2,100</u>

(c) Other items:

	Six months ended 30 June	
	2023 USD'000	2022 USD'000
Gains from changes in fair value of financial assets (note 14(a)(ii))	(29)	(28)
Listing expenses	1,057	668
Research and development costs	592	668
Amortisation cost of intangible assets	4	3
Depreciation		
– property, plant and equipment	9	10
– right-of-use assets (note 8)	197	185
	<u>1,883</u>	<u>2,100</u>

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

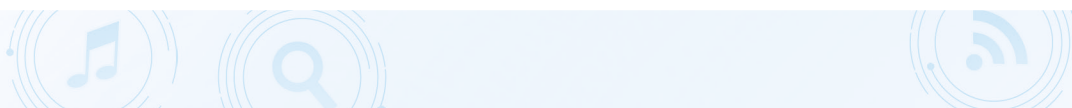
Taxation in the consolidated statement of profit or loss and other comprehensive income represents:

	Six months ended 30 June	
	2023 USD'000	2022 USD'000
Current tax		
Provision for the period	366	271
	366	271
Deferred tax		
Origination and reversal of temporary differences	(19)	(29)
	347	242

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% (2022:16.5%) to the six months ended 30 June 2023, 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 2022.

The statutory income tax rate for the subsidiaries in the People’s Republic of China is 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 USD2,024,000 (six months ended 30 June 2022: USD1,485,000) and the weighted average of 700,000,000 shares (2022: 600,000,000 shares after adjusting for the share subdivision in 2022 as disclosed in note 13(b)(i)) (“**Share Subdivision**”) and the capitalisation issue in 2023 as disclosed in note 13(b)(ii) (“**Capitalisation Issue**”) in issue during the interim period, calculated as follows:

Weighted average number of shares

	2023	2022
Issued shares at 1 January	1,000,000	10,000
Effect of the Share Subdivision	–	990,000
Effect of the Capitalisation Issue	599,000,000	599,000,000
Effect of issue of ordinary shares by initial public offering (Note 13(b)(iii))	100,000,000	–
Weighted average number of shares at 30 June	<u>700,000,000</u>	<u>600,000,000</u>

There were no dilutive potential ordinary shares for the six months ended 30 June 2023 and 2022; therefore, diluted earnings per share are equivalent to basic earnings per share.

8 Right-of-use assets

	2023 USD'000	2022 USD'000
Net book value, as at 1 January	320	411
Additions	998	–
Disposals	(9)	–
Depreciation charge for the period	(197)	(185)
Exchange adjustments	(15)	(13)
Net book value, as at 30 June	<u>1,097</u>	<u>213</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

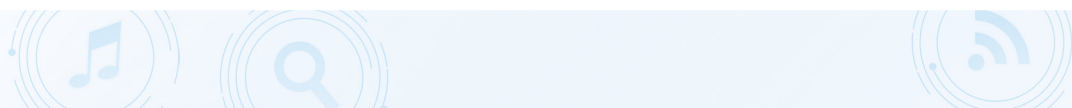
9 Trade and other receivables

	At 30 June 2023 USD'000	At 31 December 2022 USD'000
Trade receivables-third parties	134,299	113,212
Less: loss allowance on trade receivables	(5,308)	(5,189)
	<u>128,991</u>	<u>108,023</u>
Amounts due from related parties (note 15(d))	–	33
Amounts due from third parties	728	1,489
	<u>129,719</u>	<u>109,545</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 60 days later.

As at 30 June 2023, the amount of trade receivables under factoring arrangements was USD34,267,000 (31 December 2022: USD27,088,000).



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 2023 USD'000	At 31 December 2022 USD'000
Within 1 month	47,240	44,696
Over 1 month but within 2 months	20,760	31,431
Over 2 months but within 3 months	11,976	6,618
Over 3 months but within 6 months	12,746	8,669
Over 6 months but within 12 months	24,347	8,050
Over 12 months	17,230	13,748
	<u>134,299</u>	<u>113,212</u>

Trade debtors are due within 30 to 60 days (2022: 30 to 90 days) from the date of billing.

10 Cash and cash equivalents

Cash and cash equivalents comprise:

	At 30 June 2023 USD'000	At 31 December 2022 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>15,383</u>	<u>27,716</u>

As of the end of the reporting period, cash and cash equivalents situated in Chinese mainland amounted to USD139,000 (31 December 2022: USD153,000). 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 2023 USD'000	At 31 December 2022 USD'000
Trade payables - third parties	82,671	96,986
VAT and other taxes payable	70	32
Payroll payable	263	280
Other payables and accruals	1,480	1,177
Dividends payable	–	1,298
	<u>84,484</u>	<u>99,773</u>

All trade and other payables (including amounts due to related parties) 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 2023 USD'000	At 31 December 2022 USD'000
Within 1 month	51,820	46,572
Over 1 month but within 3 months	<u>30,851</u>	<u>50,414</u>
	<u>82,671</u>	<u>96,986</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 2023 USD'000	At 31 December 2022 USD'000
Within 1 year or on demand	32,852	28,560
After 1 year but within 2 years	172	172
After 2 years but within 5 years	203	289
Sub-total	375	461
Total	33,227	29,021

(b) Assets pledged as security

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

	At 30 June 2023 USD'000	At 31 December 2022 USD'000
Secured bank loans	33,227	29,021

At 30 June 2023, bank loans of USD549,000 were guaranteed by the Group (31 December 2022: USD635,000 were jointly guaranteed by Mr. Li Xiang (“**Mr. Li**”) and Ms. Yu Lu (“**Ms. Yu**”)) and secured by financial assets measured at fair value through profit or loss.

At 30 June 2023, bank loans of USD27,674,000 were guaranteed by the Group (31 December 2022: USD22,350,000 were guaranteed by Mr. Li and Ms. Yu) and were secured by trade receivables according to the factoring arrangements (see note 9).

At 30 June 2023, bank loans of USD5,004,000 were guaranteed by the Group (31 December 2022: USD6,036,000 were guaranteed by Mr. Li and Ms. Yu).

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 interim dividend was declared for the six months ended 30 June 2023 (six months ended 30 June 2022: USD7,800,000 (USD7.80 per share, divided by 1,000,000 shares after Share Subdivision)).

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

During the six months ended 30 June 2022, dividends payable of USD10,902,000 had been settled by way of a set-off against the other receivables due from Mr. Li pursuant to a set-off arrangement as agreed by the Company and Mr. Li, and dividends payable of USD1,600,000 had been settled in cash.

During the six months ended 30 June 2023, dividends payable of USD1,298,000 has been settled in cash.

(b) Share capital

The Company was incorporated in the Cayman Islands on 7 June 2019 with an initial authorised share capital of USD50,000 divided into 50,000 shares with a par value of USD1.00 each. On 7 June 2019, 10,000 shares of USD1.00 each have been issued.

(i) *Share subdivision*

On 14 January 2022, the Company underwent a subdivision of shares whereby each issued and unissued share of nominal value of USD1.00 each in the Company's authorized share capital was subdivided into 100 shares of USD0.01 each, such that immediately following such Share Subdivision, the Company's authorized share capital was USD50,000 divided into 5,000,000 shares. As a result of the Share Subdivision, the issued share capital was USD10,000 divided into 1,000,000 shares.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

13 Capital, reserves and dividends (Continued)

(b) Share capital (Continued)

(ii) Increase of the authorized share capital and capitalisation issue

On 3 March 2023, the authorized share capital of the Company was increased from USD50,000 divided into 5,000,000 shares of a par value of USD0.01 each to USD20,000,000 divided into 2,000,000,000 shares of a par value of USD0.01 each by the creation of an additional of 1,995,000,000 shares of a par value of USD0.01 each pursuant to the written resolutions passed by the then shareholders of the Company.

Pursuant to the written resolution passed by the shareholders of the Company on 3 March 2023, the directors of the Company were authorized to allot and issue 599,000,000 shares of USD0.01 each credited as fully paid at par to the shareholders by way of capitalisation of that sum standing to the credit of the share premium account of the Company.

(iii) Issue of ordinary shares by initial public offering

On 31 March 2023, the shares of the Company were listed on the Main Board of the Stock Exchange of Hong Kong Limited, where 200,000,000 shares of USD0.01 each were issued and subscribed at a price of HKD0.70 each. The net proceeds from initial public offering amounted to USD15,943,000 (after offsetting listing expenses directly attributable to the issue of shares of USD1,892,000), out of which USD2,000,000 and USD13,943,000 were recorded in share capital and share premium accounts, respectively.

(c) Share premium

Share premium as at 30 June 2023 represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received from the initial public offering, net of related listing expenses. 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.



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

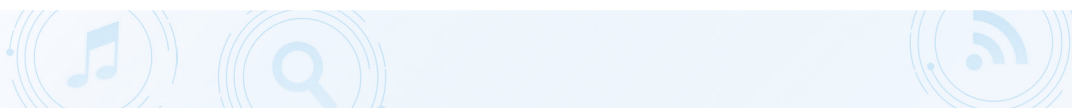
(i) Fair value hierarchy

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

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



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)

	Fair value at 30 June 2023 USD'000	Fair value measurements as at 30 June 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	1,547	–	–	1,547

	Fair value at 31 December 2022 USD'000	Fair value measurements as at 31 December 2022 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	1,527	–	–	1,527

During the six months ended 30 June 2023 and the year ended 31 December 2022, 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

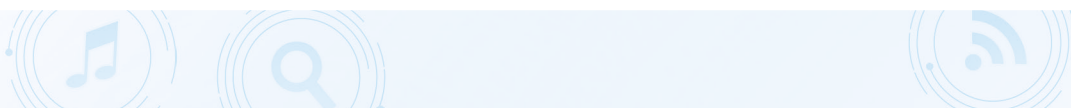
The fair value of the deposit component of the insurance contracts was measured based on the statements provided by the insurance company.

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

	2023 USD'000	2022 USD'000
As at 1 January	1,527	1,487
Changes in fair value recognised in profit or loss during the period	29	28
Used for monthly insurance fee charged	(9)	(9)
As at 30 June	<u>1,547</u>	<u>1,506</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 2023 and 31 December 2022 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 Material related party transactions

(a) Name and relationship with related parties

During the six months ended 30 June 2023 and the year ended 31 December 2022, the directors are of the view that the following are related parties of the Group:

Name of parties	Relationship
– Mr. Li	Controlling shareholder of the Group
– Lucky Linkage International Holdings Limited ("Lucky Linkage")	Shareholder of the Company
– Total Best International Group Limited ("Total Best")	Shareholder of the Company
– Wealth Express International Investment Limited ("Wealth Express")	Shareholder of the Company
– Mr. Fan Qiyao	Key management personnel
– Mr. Cao Xin	Key management personnel

(b) 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	
	2023 USD'000	2022 USD'000
Salaries, allowances and benefits	412	405
Retirement scheme contributions	17	15
	429	420
Short-term employee benefits	429	420

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

15 Material related party transactions (Continued)

(c) Related party transactions

During the six months ended 30 June 2023 and 2022, the Group entered into the following material related party transactions:

	Six months ended 30 June	
	2023 USD'000	2022 USD'000
Non-trade in nature:		
Advances to		
Lucky Linkage	1	–
Total Best	1	–
Wealth Express	1	–
	<u>3</u>	<u>–</u>

	Six months ended 30 June	
	2023 USD'000	2022 USD'000
Non-trade in nature:		
Repayments from		
Mr. Li	–	10,902
Lucky Linkage	14	–
Total Best	11	–
Wealth Express	11	–
	<u>36</u>	<u>10,902</u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(EXPRESSED IN US DOLLARS UNLESS OTHERWISE INDICATED)

15 Material related party transactions (Continued)

(d) Balance with related parties

	At 30 June 2023 USD'000	At 31 December 2022 USD'000
Non-trade in nature:		
Other receivables from related parties		
Lucky Linkage	–	13
Total Best	–	10
Wealth Express	–	10
	<u>–</u>	<u>33</u>
Dividends payable		
Lucky Linkage	–	778
Total Best	–	325
Wealth Express	–	195
	<u>–</u>	<u>1,298</u>

The balances with these related parties are unsecured, interest-free and have no fixed repayment terms.

(e) Bank loans guaranteed by related parties

	At 30 June 2023 USD'000	At 31 December 2022 USD'000
Non-trade in nature		
Bank loans guaranteed by Mr. Li and Ms. Yu	–	29,021
	<u>–</u>	<u>29,021</u>

The directors of the Company have confirmed that, the guarantees provided by related parties have been replaced by corporate guarantees provided by the Group during the six months ended 30 June 2023.



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 Appendix 14 of 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 Macau 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 and entered into between Mr. Li and the Trustee pursuant to the Reorganization
“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”	the listing of our Shares on the Main Board of the Stock Exchange on the Listing Date
“Listing Date”	the date on which our Shares are listed and Shares first commence dealing on the Main Board of the Stock Exchange, being March 31, 2023
“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 10 of 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
“Relevant Period”	the period from the Listing Date and up to June 30, 2023



DEFINITIONS AND GLOSSARY OF TECHNICAL TERMS

“Reporting Period”	the six months ended June 30, 2023
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended, supplemented or otherwise modified from time to time
“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
“subsidiary”	has the meaning ascribed to it under the Listing Rules
“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 and entered into between Ms. Yu and the Trustee pursuant to the Reorganization
“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.

