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

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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED DECEMBER 31, 2023

The board (the "**Board**") of directors (the "**Directors**") of Powerwin Tech Group Limited (the "**Company**") is pleased to announce the final results of the Company and its subsidiaries (together, the "**Group**") for the year ended December 31, 2023 (the "**Annual Results**"), together with the comparative figures for the year ended December 31, 2022 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023
*(Expressed in US dollars ("**USD**"))*

	Note	2023 USD'000	2022 USD'000
Revenue	2	**21,504**	16,429
Cost of sales		**(2,302)**	(2,574)
Gross profit		**19,202**	13,855
Marketing expenses		**(496)**	(605)
Administrative expenses		**(5,024)**	(4,712)
Expected credit losses on trade receivables		**(1,454)**	(295)
Other income		**306**	20
Profit from operations		**12,534**	8,263
Finance costs	3(a)	**(4,146)**	(1,909)
Changes in fair value of financial assets		**70**	57
Profit before taxation	3	**8,458**	6,411
Income tax	4(a)	**(1,273)**	(917)
Profit for the year		**7,185**	5,494
Other comprehensive income for the year (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		**77**	(40)
Other comprehensive income for the year		**77**	(40)
Total comprehensive income for the year attributable to equity shareholders of the Company		**7,262**	5,454
Earnings per share			
Basic and diluted (cents)	5	**0.96**	0.92

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023
(Expressed in USD)

	Note	At 31 December 2023 USD'000	At 31 December 2022 USD'000
Non-current assets			
Property, plant and equipment		**87**	30
Right-of-use assets	*6*	**838**	320
Other non-current assets	*7*	**1,000**	–
Intangible assets		**32**	41
Financial assets measured at fair value through profit or loss		**2,765**	1,527
Deferred tax assets		**1,099**	859
		5,821	2,777
Current assets			
Trade and other receivables	*8*	**197,602**	109,545
Cash and cash equivalents		**21,814**	27,716
		219,416	137,261
Current liabilities			
Trade and other payables	*9*	**128,976**	99,773
Contract liabilities		**4,170**	4,332
Bank loans	*10*	**60,254**	28,560
Lease liabilities		**595**	224
Current taxation		**703**	290
		194,698	133,179
Net current assets		**24,718**	4,082
Total assets less current liabilities		**30,539**	6,859

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

At 31 December 2023

(Expressed in USD)

	Note	**At 31 December 2023** *USD'000*	At 31 December 2022 *USD'000*
Non-current liabilities			
Bank loans	*10*	**768**	461
Lease liabilities		**253**	85
		1,021	546
Net assets		**29,518**	6,313
CAPITAL AND RESERVES	*11*		
Share capital		**8,000**	10
Reserves		**21,518**	6,303
TOTAL EQUITY		**29,518**	6,313

NOTES

(Expressed in USD unless otherwise indicated)

1 MATERIAL ACCOUNTING POLICIES

The preliminary financial information does not constitute the consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023 but is extracted from those financial statements.

(a) Statement of compliance

The Group's consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("**HKFRSs**"), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the applicable disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (the "**Listing Rules**").

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries.

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the "**functional currency**"). The functional currency of the Company and its subsidiaries outside Chinese mainland is US dollars ("**USD**") and the functional currency of the subsidiaries in Chinese mainland is Renminbi.

As the major operations of the Group were denominated in USD, the consolidated financial statements are presented in USD, rounded to the nearest thousand unless otherwise indicated.

The measurement basis used in the preparation of the financial statements is the historical cost basis except that the financial assets measured at fair value through profit or loss ("**FVPL**") is stated at their fair value.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(c) Changes in accounting policies

The Group has applied the following new and amended HKFRSs issued by the HKICPA to these financial statements 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 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*

- 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.

2 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.

(i) Disaggregation of revenue

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

	2023	2022
	USD'000	*USD'000*
Cross-border digital marketing services		
Standardized digital marketing	**9,766**	9,084
Customized digital marketing	**6,959**	3,883
SaaS-based digital marketing	**1,450**	2,093
	18,175	15,060
Cross-border online-shop SaaS solutions	**3,329**	1,369
	21,504	16,429

	2023	2022
	USD'000	*USD'000*
Disaggregated by timing of revenue recognition		
– Point in time	**18,175**	15,060
– Over time	**3,329**	1,369
	21,504	16,429

(b) Segment information

For the years ended 31 December 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:

	2023	2022
	USD'000	*USD'000*
Hong Kong	**21,499**	16,415
Chinese mainland	**5**	14
	21,504	16,429

Non-current assets excluding right-of-use assets amounting USD515,000 (31 December 2022: none), other non-current assets, financial assets measured at fair value through profit or loss and deferred tax assets are mainly located in Chinese mainland.

3 PROFIT BEFORE TAXATION

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

(a) Finance costs:

	2023	2022
	USD'000	*USD'000*
Interest on bank loans	**4,107**	1,894
Interest on lease liabilities	**39**	15
	4,146	1,909

(b) Staff costs (including directors' emoluments):

	2023	2022
	USD'000	*USD'000*
Salaries, wages and other benefits	**3,529**	3,744
Retirement scheme contributions	**217**	225
	3,746	3,969

(c) Other items:

	2023	2022
	USD'000	*USD'000*
Changes in fair value of financial assets	**(70)**	(57)
Auditors' remuneration	**325**	164
Listing expenses	**1,147**	2,137
Research and development costs *(note (a))*	**1,134**	1,246
Amortisation cost of intangible assets	**8**	6
Depreciation		
– property, plant and equipment	**23**	19
– right-of-use assets *(note 6)*	**505**	350

Note:

(a) Research and development costs include staff costs of employees in the research and development department, of which USD1,134,000 (2022: USD1,243,000) are included in the staff costs as disclosed above.

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

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

	2023	2022
	USD'000	*USD'000*
Current tax		
Provision for the year	**1,513**	965
	1,513	965
Deferred tax		
Origination and reversal of temporary differences	**(240)**	(48)
	1,273	917

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023	2022
	USD'000	*USD'000*
Profit before taxation	**8,458**	6,411
Notional tax on profit before taxation, calculated at the rates applicable to profits in the countries concerned	**1,368**	1,000
Tax effect of non-deductible expenses	**30**	14
Tax effect of non-taxable income	**(65)**	(13)
Statutory tax concession	**(60)**	(84)
Actual tax expense	**1,273**	917

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 for 2023 is calculated at 16.5% (2022: 16.5%) of the estimated assessable profits for the year, 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 HKD2 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 provision for Hong Kong Profits Tax for 2023 takes into account a reduction granted by the Hong Kong SAR Government of 100% of the tax payable for the year of assessment 2022/23 subject to a maximum reduction of HKD6,000 for each business (2022: a maximum reduction of HKD10,000 was granted for the year of assessment 2021/22 and was taken into account in calculating the provision for 2022).

The statutory income tax rate for the subsidiaries in the PRC is 25%.

5 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of USD7,185,000 (2022: USD5,494,000) and the weighted average of 750,000,000 ordinary shares (2022: 600,000,000 ordinary shares after adjusting for the share subdivision in 2022 as disclosed in note 11(b)(i) and the capitalisation issue in 2023 as disclosed in note 11(b)(ii)) in issue during the year, calculated as follows:

Weighted average number of ordinary shares

	2023	2022
	'000	*'000*
Issued ordinary shares at 1 January	**1,000**	10
Effect of the share subdivision *(note 11(b)(i))*	**–**	990
Effect of the capitalisation issue *(note 11(b)(ii))*	**599,000**	599,000
Effect of issue of ordinary shares by initial public offering *(note 11(b)(iii))*	**150,000**	–
Weighted average number of ordinary shares at 31 December	**750,000**	600,000

There were no dilutive potential ordinary shares for the years ended 31 December 2023 and 2022, therefore diluted earnings per share are the same as basic earnings per share.

6 RIGHT-OF-USE ASSETS

	2023	2022
	USD'000	*USD'000*
Net book value, as at 1 January	**320**	411
Additions	**1,038**	292
Disposals	**(9)**	–
Depreciation charge for the period	**(505)**	(350)
Exchange adjustments	**(6)**	(33)
Net book value, as at 31 December	**838**	320

7 OTHER NON-CURRENT ASSETS

	2023	2022
	USD'000	*USD'000*
Prepayments for purchase of intangible assets	**1,000**	–

8 TRADE AND OTHER RECEIVABLES

	2023	2022
	USD'000	*USD'000*
Trade receivables-third parties	**203,614**	113,212
Less: loss allowance on trade receivables	**(6,643)**	(5,189)
	196,971	108,023
Amounts due from related parties	**11**	33
Amounts due from third parties	**620**	1,489
	197,602	109,545

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 within the debt grace period.

As at 31 December 2023, the amount of trade receivables under factoring arrangements was USD69,294,000 (2022: USD27,088,000).

Ageing analysis

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

	2023	2022
	USD'000	*USD'000*
Within 1 month	**75,349**	44,696
Over 1 month but within 2 months	**50,445**	31,431
Over 2 months but within 3 months	**16,907**	6,618
Over 3 months but within 6 months	**15,960**	8,669
Over 6 months but within 12 months	**23,234**	8,050
Over 12 months	**21,719**	13,748
	203,614	113,212

Trade debtors are due within 30 to 300 days from the date of billing.

9 TRADE AND OTHER PAYABLES

	2023	2022
	USD'000	*USD'000*
Trade payables – third parties	**128,361**	96,986
VAT and other taxes payable	**27**	32
Payroll payable	**324**	280
Other payables and accruals	**264**	1,177
Dividends payable	**–**	1,298
	128,976	99,773

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:

	2023	2022
	USD'000	*USD'000*
Within 1 month	**52,784**	46,572
Over 1 month but within 3 months	**75,577**	50,414
	128,361	96,986

10 BANK LOANS

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

	2023	2022
	USD'000	*USD'000*
Within 1 year or on demand	**60,254**	28,560
After 1 year but within 2 years	**285**	172
After 2 years but within 5 years	**483**	289
Sub-total	**768**	461
Total	**61,022**	29,021

(b) Assets pledged as security and covenants for bank loans

As at 31 December 2023, the bank loans were secured as follows:

	2023	2022
	USD'000	*USD'000*
Secured bank loans	**61,022**	29,021

At 31 December 2023, bank loans of USD1,046,000 were guaranteed by Powerwin Tech Group Limited (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 31 December 2023, bank loans of USD1,470,000 (31 December 2022: none) were secured by trade receivables according to the factoring arrangements.

At 31 December 2023, bank loans of USD52,504,000 were guaranteed by Powerwin Tech Group Limited (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 8).

At 31 December 2023, bank loans of USD6,002,000 were guaranteed by Powerwin Tech Group Limited (31 December 2022: USD6,036,000 were guaranteed by Mr. Li and Ms. Yu).

All of the Group's banking facilities are subject to the fulfilment of covenants relating to certain of the Group's balance sheet ratios, as are commonly found in lending arrangements with financial institutions. If the Group were to breach the covenants the drawn down facilities would become payable on demand. The Group regularly monitors its compliance with these covenants. As at 31 December 2023, none of the covenants relating to draw-down banking facilities had been breached.

11 CAPITAL, RESERVES AND DIVIDENDS

(a) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year

No dividend was declared for the year ended 31 December 2023 (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 year

As at 31 December 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 year ended 31 December 2023, dividends payable of USD1,298,000 has been settled in cash.

(b) Share capital

	2023		2022	
	No. of shares		**No. of shares**	
	'000	***USD'000***	*'000*	*USD'000*
Authorised:				
USD0.01 each share	**2,000,000**	**20,000**	5,000	50

		2023		2022	
		No. of shares		**No. of shares**	
	Note	***'000***	***USD'000***	*'000*	*USD'000*
Ordinary shares, issued and fully paid:					
At 1 January		**1,000**	**10**	10	10
Share subdivision	*i*	**–**	**–**	990	–
Capitalisation issue	*ii*	**599,000**	**5,990**	–	–
Issue of ordinary shares by initial public offering	*iii*	**200,000**	**2,000**	–	–
At 31 December 2023		**800,000**	**8,000**	1,000	10

(i) Share subdivision

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.

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.

(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, 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 31 December 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.

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 enable 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$21.5 million in 2023 from US$16.4 million in 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 2,800 marketers as of December 31, 2023, covering a variety of industry verticals of e-commerce, online games and apps. We had, as of December 31, 2023, curated and collaborated with 19 major and well-known media publishers globally, including major media publishers such as Meta, 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 plans, marketing campaign content design, customized marketing campaign optimization, online shops optimization, campaign monitoring and management and execution of overall user acquisition; and

- **SaaS-based digital marketing services**, mainly including optimization and implementation of marketing campaigns in a more intelligent and automated manner through our Adorado SaaS platform, comprising a basic version mainly for small and medium-sized marketers and an advanced version mainly for large-scale marketers.

Cross-border Online-shop SaaS Solutions

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

EMPLOYEES AND REMUNERATION POLICY

Our Group had 86 full-time employees as of December 31, 2023 (as of December 31, 2022: 83). Our staff cost, which is included in cost of sales, and the expenses of other staff in aggregate amounted to US$3.7 million for the year ended December 31, 2023 (for the year ended December 31, 2022: US$4.0 million). 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. The remuneration committee of our Company is responsible 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 December 31, 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 Powershopy platforms through utilizing the ever-evolving artificial intelligence technology, 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.

FINANCIAL REVIEW

Revenue

Our revenue increased by 30.9% to US$21.5 million in 2023 from US$16.4 million in 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.** Revenue from standardized digital marketing services increased by 7.5% to US$9.8 million in 2023 from US$9.1 million in 2022 as a result of the increase in gross billing of our marketers.

- **Customized digital marketing.** Revenue from customized digital marketing services increased by 79.2% to US$7.0 million in 2023 from US$3.9 million in 2022, which was primarily attributable to the increase in gross billing of our marketers.

- **SaaS-based digital marketing.** Revenue from SaaS-based digital marketing services decreased by 30.7% to US$1.5 million in 2023 from US$2.1 million in 2022. This decrease was mainly due to the decrease in the service fee rate adopted for SaaS-based digital marketing with respect to our major marketers.

Revenue from cross-border online-shop SaaS solutions

Revenue from cross-border online-shop SaaS solutions significantly increased by 143.2% to US$3.3 million in 2023 from US$1.4 million in 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$2.3 million in 2023 from US$2.6 million in 2022, which was primarily attributable to the decrease in staff cost as a result of our staff structure optimization.

Gross Profit and Gross Profit Margin

Our gross profit increased by 38.6% to US$19.2 million in 2023 from US$13.9 million in 2022. The increase was primarily due to the increases in our revenue from customized digital marketing services and cross-border online-shop SaaS solutions. Our overall gross profit margin increased to 89.3% in 2023 from 84.3% in 2022, which was mainly due to (i) the increases in our revenue from customized digital marketing services and cross-border online-shop SaaS solutions and (ii) the decreases in cost of sales for such business segments.

Marketing Expenses

Our marketing expenses decreased to US$0.5 million in 2023 from US$0.6 million in 2022. This decrease was primarily due to the decrease in staff cost as a result of our staff structure optimization.

Administrative Expenses

Our administrative expenses increased to US$5.0 million in 2023 from US$4.7 million in 2022, which was primarily in relation to (i) an increase in insurance costs; (ii) depreciation due to property leasing; and (iii) expenses incurred in relation to the annual review of our Company's results.

Expected Credit Losses on Trade Receivables

Our expected credit losses on trade receivables increased to US$1.5 million in 2023 from US$0.3 million in 2022 which was primarily 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$4.1 million in 2023 from US$1.9 million in 2022. This increase was primarily due to (i) a greater demand for borrowing as a result of our business development; and (ii) an increase in market interest rate.

Income Tax

Our income tax increased to US$1.3 million in 2023 from US$0.9 million in 2022, which was primarily due to the increase in our profit before taxation. Our effective income tax rate was 14.3% and 15.1% in 2022 and 2023, respectively.

Profit for the Year

As a result of the foregoing, our profit for the year increased by 30.8% to US$7.2 million in 2023 from US$5.5 million in 2022. Our net profit margin remained relatively stable at 33.4% in both 2022 and 2023.

Trade Receivables

Our trade receivables increased to US$203.6 million as of December 31, 2023 from US$113.2 million as of December 31, 2022, which was primarily due to the increase in gross billing of our marketers especially at the fourth quarter of 2023.

Trade and Other Payables

Our trade and other payables increased to US$129.0 million as of December 31, 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 2023 as a result of the growth in our business scale.

Bank Loans

Our bank loans increased to US$61.0 million as of December 31, 2023 from US$29.0 million as of December 31, 2022, which was primarily because of the increase in gross billing of our marketers which leads to an increased demand for bank loans for working capital purposes.

Liquidity and Financial Resources

Our cash and cash equivalents were primarily denominated in U.S. dollars. As of December 31, 2022 and 2023, we had cash and cash equivalents of US$27.7 million and US$21.8 million, respectively. Such decrease in cash and cash equivalents was primarily because of the increase in gross spending to the media publishers, especially in the fourth quarter of 2023.

Our net current assets significantly increased to US$24.7 million as of December 31, 2023 from US$4.1 million as of December 31, 2022. This increase was primarily due to an increase in profit for the year and the net proceeds raised from our initial public offering of our shares in March 2023.

Our major financing resources are bank loans and equity financing. We had bank loans of US$29.0 million and US$61.0 million as of December 31, 2022 and 2023, respectively, which were primarily used for supporting the growth of our business scale and development. As of December 31, 2023, our bank loans were primarily denominated in U.S. dollars, among which, approximately US$1.5 million were at fixed interest rates, and approximately US$59.5 million were at variable rates.

Final Dividend

The Board did not recommend any final dividend for year ended December 31, 2023 (for the year ended December 31, 2022: Nil).

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 206.7% as of December 31, 2023 from 459.7% as of December 31, 2022, primarily due to an increase in our total equity as a result of the listing of our shares on the Main Board of the Stock Exchange in March 2023.

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 132.8% as of December 31, 2023 from 20.7% as of December 31, 2022, primarily due to an increase in balances of bank loans.

Contingent Liabilities

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

As of December 31, 2023, bank loans of US$1,046,000 were guaranteed by the Company (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 December 31, 2023, bank loans of US$1,470,000 (as of December 31, 2022: none) were secured by trade receivables according to the factoring arrangements. As of December 31, 2023, bank loans of US$52,504,000 were guaranteed by the Company (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.

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 variable rates. In particular, our interest on bank loans increased to US$4.1 million in 2023 from US$1.9 million in 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 period from the Listing Date (as defined below) and up to December 31, 2023 (the "**Relevant Period**"). As of December 31, 2023, we did not have any plans for any material investments or capital assets.

USE OF PROCEEDS FROM THE INITIAL PUBLIC OFFERING

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

As of December 31, 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 December 31, 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	12.7	27.6	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 overseas presence and expansion and deepen the Group's global footprint	15.0%	14.5	14.5	–	14.5	end of 2025

	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 December 31, 2023 *(HK$ million)*	Expected timeline for the use of unutilized Net Proceeds *(Note)*
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		96.8	96.8	22.4	74.4	

Note:

During the Relevant Period, the Net Proceeds had been used according to the purposes as stated in the prospectus of the Company dated March 21, 2023 (the "**Prospectus**"), and there was no material change or delay in the use of the Net Proceeds.

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

EVENTS AFTER THE REPORTING PERIOD

There were no other material subsequent events relating to the Group after December 31, 2023 and up to the date of this announcement.

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

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

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

The Company recognizes the importance of incorporating elements of good corporate governance in the management structures and internal control procedures of the Group so as to achieve effective accountability. The Company has adopted and, save as disclosed below, complied with the code provisions stated in the Corporate Governance Code contained in Part 2 of Appendix C1 (the "**CG Code**") to the Listing Rules during the 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, especially the independent non-executive Directors, which comprises experienced and high-caliber individuals. The Board will continue to review and consider splitting the roles of chairman of the Board and the chief executive officer of the Company at an appropriate time if necessary, taking into account the circumstances of the Group as a whole.

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

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having been made specific enquiry, the Directors confirmed that they have complied with the required standard set out in the Model Code during the Relevant Period.

REVIEW OF ANNUAL RESULTS

The audit committee of the Company (the "**Audit Committee**") reviewed the final results for the year ended December 31, 2023. The Audit Committee has also reviewed the accounting principles and practices adopted by the Group and its internal controls and financial reporting matters.

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

ANNUAL GENERAL MEETING

It is proposed that the annual general meeting of the Company will be held on a date to be fixed by the Board. Further announcement(s) will be made in respect of the date of the annual general meeting of the Company and book closure date in due course.

PUBLICATION OF RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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

The annual report of the Company for the year ended December 31, 2023 containing all information required by the Listing Rules will be available on the above websites in due course.

By order of the Board
Powerwin Tech Group Limited
Li Xiang
Chairman, Chief Executive Officer and Executive Director

Hong Kong, March 28, 2024

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