Yinsheng Digifavor Company Limited
銀盛數惠數字有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3773)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

The board (the "**Board**") of directors (the "**Directors**") of Yinsheng Digifavor Company Limited (the "**Company**") is pleased to announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2024 (the "**Reporting Period**"), together with the comparative figures for the corresponding period in 2023. The unaudited consolidated interim results have been reviewed by the Company's audit committee (the "**Audit Committee**").

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2024

		Six months ended 30 June	
	NOTES	**2024**	2023
		RMB'000	*RMB'000*
		(Unaudited)	*(Unaudited)*
Revenue	*4*	**61,312**	30,799
Less: Tax surcharge		**(1,309)**	(213)
Cost of revenue		**(11,873)**	(6,065)
Gross profit		**48,130**	24,521
Other income and expenses		**7,645**	3,074
Distribution and selling expenses		**(6,586)**	(4,568)
Administrative expenses		**(13,735)**	(15,628)
Research and development expenses		**(5,333)**	(3,743)
Finance costs	*5*	**(1,224)**	(1,720)
Profit before income tax	*6*	**28,897**	1,936
Income tax expense	*7*	**(8,076)**	(1,065)
Profit and total comprehensive income for the period		**20,821**	871
Profit/(loss) and total comprehensive income/(expense) for the period attributable to:			
Owners of the Company		**21,315**	871
Non-controlling interests		**(494)**	–
		20,821	871
Earnings per share	*9*		
– Basic and diluted (RMB cents)		**5.14**	0.21

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2024

	NOTES	As at 30 June 2024 RMB'000 (Unaudited)	As at 31 December 2023 RMB'000 (Audited)
Non-current assets			
Property, plant and equipment	10	**3,833**	3,654
Right-of-use assets	10	**1,354**	1,696
Rental deposits		**155**	155
Trade receivables	11	**1,712**	2,933
Deferred tax assets		**284**	80
		7,338	8,518
Current assets			
Inventories		**18,047**	12,566
Trade receivables	11	**292,661**	179,453
Prepayments, deposits and other receivables		**109,349**	122,214
Cash and cash equivalents		**63,611**	89,782
		483,668	404,015
Current liabilities			
Trade payables	12	**32,654**	25,173
Other payables and accruals		**54,498**	62,826
Tax liabilities		**2,048**	3,712
Lease liabilities		**627**	723
Borrowings	13	**90,520**	30,000
		180,347	122,434
Net current assets		**303,321**	281,581
Total assets less current liabilities		**310,659**	290,099
Non-current liabilities			
Lease liabilities		**863**	1,124
Deferred tax liabilities		**9,673**	9,673
		10,536	10,797
Net assets		**300,123**	279,302
Capital and reserves			
Share capital	14	**27,221**	27,221
Reserves		**273,396**	252,081
Total equity attributable to owners of the Company		**300,617**	279,302
Non-controlling interests		**(494)**	–
Total equity		**300,123**	279,302

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2024

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). The Company's registered office is located at PO Box 309, Ugland House, Grand Cayman, KY1-1104, Cayman Islands. The address of its principal place of business is 13/F, Building C2, Nanshan iPark, No. 1001, Xueyuan Boulevard, Nanshan District, Shenzhen, the People's Republic of China (the "**PRC**").

The Company is an investment holding company. The principal activity of the Group is engaged in providing mobile top-up service to mobile subscribers in the PRC and providing digital marketing service.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("**HKAS**") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as well as with the applicable disclosure requirements of Appendix D2 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The mobile top-up service provided by the Group is prohibited and restricted from foreign investment in the PRC pursuant to the applicable PRC laws and regulations. The Group has adopted a series of contracts (the "**Structured Contracts**") with Shenzhen Niannianka Network Technology Co., Ltd. ("**Shenzhen NNK**") and its registered shareholders to maintain and exercise the control over the operation of Shenzhen NNK, and to obtain its entire economic benefits (the "**VIE Arrangement**"). The Structured Contracts are irrevocable and enable the Group to:

- exercise effective financial and operational control over Shenzhen NNK;
- exercise equity holders' voting rights of Shenzhen NNK;
- receive substantially all economic returns generated by Shenzhen NNK in consideration for the business support, technical and consulting services provided by the Group;
- obtain an irrevocable and exclusive right to purchase the entire equity interest in Shenzhen NNK from the registered shareholders; and
- obtain a pledge over the entire equity interest of Shenzhen NNK from the registered shareholders as collateral security for all of Shenzhen NNK due to the Group and to secure performance of the registered shareholders' obligations under the Structured Contracts.

The Company does not have any equity interest in Shenzhen NNK. However, as a result of the Structured Contracts, the Company has power over Shenzhen NNK, has rights to variable returns from its involvement with Shenzhen NNK and has the ability to affect those returns through its power over Shenzhen NNK and therefore is considered to have control over Shenzhen NNK. Consequently, the Company regards Shenzhen NNK as an indirect subsidiary and consolidated the financial position and results of Shenzhen NNK in the condensed consolidated financial statements of the Group during both periods.

The preparation of the condensed consolidated financial statements in conformity with HKAS 34 requires the management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates. In preparing the condensed consolidated financial statements, the significant judgement made by the management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31 December 2023.

The condensed consolidated financial statements include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since 31 December 2023. The condensed consolidated financial statements do not include all of the information required for full set of financial statements prepared in accordance with the Hong Kong Financial Reporting Standards ("**HKFRSs**") and should be read in conjunction with the Group's annual financial statements for the year ended 31 December 2023.

The condensed consolidated financial statements have been prepared on the historical cost basis.

The condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company and its subsidiaries. All values are rounded to the nearest thousand except when otherwise indicated.

The condensed consolidated financial statements are unaudited but has been reviewed by the Company's audit committee.

3. APPLICATION OF NEW OR AMENDMENTS TO HKFRSs

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2024 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2023, except for the following changes in accounting policies resulting from the application of the new or amendments to HKFRSs effective for the accounting periods beginning on or after 1 January 2024:

Amendments to HKAS 1	Classification of Liabilities as Current or Non-current
Amendments to HKAS 1	Non-current liabilities with covenants
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback
Amendments to HKAS 7	Supplier finance arrangements
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause

The application of the new or amendments to HKFRSs and interpretation in the current period has had no material impact on the Group's financial positions and performance for the current and prior periods and/or on the disclosures set out in the condensed consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Type of service, at the point of time		
Mobile top-up service	**52,229**	29,085
Mobile data usage top-up service	**16**	38
Telecommunication equipment business	**169**	9
Dealership business	**–**	341
Digital marketing service		
– Commission income for marketing campaign service	**7,684**	504
– Service income for marketing campaign service	**475**	–
Type of service, over time*		
Digital marketing service – Service income for live streaming	**739**	822
	61,312	30,799

* The Group applies the practical expedient in paragraph 21 of HKFRS 15 and does not disclose information about the remaining performance obligations with original expected durations of one year or less.

Segment information

HKFRS 8 "Operating Segments" requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the executive directors, being the chief operating decision makers (the "**CODMs**"), in order to allocate resources to the segments and to assess their performance.

The CODMs review the Group's financial performance as a whole, which is generated from the provision of various types of services by the Group to customers and determined in accordance with the Group's accounting policies, for performance assessment. Therefore, no separate segment information is prepared by the Group.

Geographical information

All of the Group's revenue is derived from customers in the PRC and assets are principally located in the PRC. Therefore, no geographical segment information is presented.

Information about major customers

There was no revenue from individual customers of the Group contributing over 10% of the total revenue of the Group during both periods.

5. FINANCE COSTS

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Interest on bank overdrafts	**395**	722
Interest on short-term bank borrowings	**784**	938
Interest on lease liabilities	**45**	60
	1,224	1,720

6. PROFIT BEFORE INCOME TAX

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Profit before income tax has been arrived at after charging/(crediting):		
Directors' emoluments	**2,689**	3,152
Salaries and other benefits, excluding those of directors	**14,233**	10,609
Retirement benefits schemes contributions, excluding those of directors	**2,390**	1,939
Total staff costs	**19,312**	15,700
Depreciation of property, plant and equipment	**747**	751
Depreciation of right-of-use assets	**342**	418
Recognition of impairment loss in respect of trade receivables	**815**	–
Interest income	**(181)**	(467)
Auditor's remuneration		
– Non-audit services	**180**	220

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Current tax:		
– PRC Enterprise Income Tax ("**EIT**")		
Under-provision in prior periods	**284**	222
Current period	**6,996**	843
– PRC withholding tax	**1,000**	–
	8,280	1,065
Deferred tax:		
– EIT	**(204)**	–
	8,076	1,065

No provision for Hong Kong Profits Tax was made in the condensed consolidated financial statements, as no assessable profit was generated in Hong Kong (six months ended 30 June 2023 (unaudited): Nil).

Under the Law of the PRC on EIT (the "**PRC EIT Law**") and Implementation Regulations of the PRC EIT Law, the tax rate of the PRC subsidiaries was 25% (six months ended 30 June 2023 (unaudited): 25%).

Certain PRC subsidiaries of the Group, which are small-size and low-profit enterprise under the PRC EIT Law, are entitled to 20% preferential tax rate with effective period from 1 January 2023 to 31 December 2027. The PRC EIT is calculated at 25% of the estimated taxable profits of the remaining subsidiaries operating in the PRC (six months ended 30 June 2023 (unaudited): 25%).

8. DIVIDENDS

No dividend was paid, declared or proposed by the Company for the six months ended 30 June 2024, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2023 (unaudited): Nil).

9. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2024	2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Unaudited)*
Earnings for the purpose of basic and diluted earnings per share:		
– Profit for the period attributable to owners of the Company	**21,315**	871

	Number of shares Six months ended 30 June	
	2024	2023
	'000	*'000*
	(Unaudited)	*(Unaudited)*
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**415,000**	415,000

No diluted earnings per share for the six months ended 30 June 2024 was presented as there were no potential ordinary shares in issue (six months ended 30 June 2023 (unaudited): Nil).

10. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

Property, plant and equipment

During the six months ended 30 June 2024, the Group paid approximately RMB926,000 (unaudited) (six months ended 30 June 2023 (unaudited): RMB667,000) for the acquisition of leasehold improvement and computer and office equipment.

Right-of-use assets

The Group leases land and buildings in Hong Kong and the PRC for its operations. Lease contracts are entered into for fixed lease terms of 1 year to 5 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

During the six months ended 30 June 2024, the Group did not enter into any additional office premise lease agreement (six months ended 30 June 2023 (unaudited): right-of-use assets and lease liabilities of both RMB511,000).

11. TRADE RECEIVABLES

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables		
– Mobile top-up service	**186,886**	132,798
– Telecommunication equipment business	**10,735**	11,385
– Digital marketing service	**97,886**	38,522
Less: allowance of credit losses	**(1,134)**	(319)
	294,373	182,386
Less: amount due for settlement with 12 months shown under current assets	**(292,661)**	(179,453)
Amount due for settlement after 12 months shown under non-current assets	**1,712**	2,933

Certain of the Group's borrowings (Note 13) are secured by trade receivables as stated below:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Trade receivables	**107,006**	74,463

Trade receivables mainly represented the receivables of mobile top-up service from financial institutions in relation to the mobile top-up service which the settlement period is normally within 1 day from transaction date. Due to deepening cooperation with major PRC banks for their promotion activities, the Group has granted credit period of 30 to 45 days for those trade receivables based on the invoice date. For certain channels of customers, the credit period was about 30 to 60 days granted by the Group based on the invoice date. The Group did not hold any collateral over these balances (31 December 2023: Same).

Trade receivables from the telecommunication equipment business mainly represent receivables from telecommunication operators, which are repayable by instalments ranged from 6 months to 36 months (31 December 2023: Same).

Trade receivables from digital marketing services mainly represent receivables from digital marketing events, which the Group usually granted credit period for those trade receivable for no more than 30 days (31 December 2023: Same).

The following is an aged analysis of trade receivables net of allowance for credit loss presented based on the date of service provided and revenue recognised, at the end of each reporting period:

	30 June 2024	31 December 2023
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
0 to 30 days	**156,181**	119,056
31 to 60 days	**59,277**	48,948
Over 60 days	**78,915**	14,382
	294,373	182,386

As at 30 June 2024, included in the Group's trade receivables balance were debtors in mobile top-up business with aggregate carrying amount of approximately RMB40,608,000 (31 December 2023: RMB1,666,000) which are past due as at the reporting date.

Based on the Group's assessment of historical credit loss experience of these debtors arising from the mobile top-up business, including all available forward-looking information and expected settlements, the Group does not consider default has occurred despite the contractual payments are overdue more than 90 days due to these customers are mainly reputable banks with strong financial positions. However, the Group would have provided in full for trade receivables overdue more than 180 days because based on historical experience, such receivables are generally not recoverable, unless the Group has reasonable and supportable information that demonstrates otherwise.

During the six months ended 30 June 2024, the Group made an impairment provision of approximately RMB815,000 (six months ended 30 June 2023 (unaudited): Nil).

12. TRADE PAYABLES

The Group is normally granted credit terms of about 90 days. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe.

The following is an aged analysis of trade payables presented based on the date of service mainly provided by the PRC telecommunication companies to the mobile subscribers, at the end of each reporting period:

	30 June 2024 *RMB'000* *(Unaudited)*	31 December 2023 *RMB'000* *(Audited)*
0 to 90 days	**28,081**	19,934
91 to 180 days	**213**	805
181 to 360 days	**425**	208
Over 1 year	**3,935**	4,226
	32,654	25,173

13. BORROWINGS

	30 June 2024 *RMB'000* *(Unaudited)*	31 December 2023 *RMB'000* *(Audited)*
Short-term bank borrowings	**40,000**	30,000
Bank overdrafts	**50,520**	–
	90,520	30,000
Representing:		
Unsecured, fixed interest rates ranging from 4.4% to 4.5% (31 December 2023: unsecured) per annum and repayable within one year	**20,000**	–
Secured, fixed interest rates ranging from 3.7% to 4.6% (31 December 2023: fixed interest rate of 4.0%) per annum and repayable within one year	**70,520**	30,000
	90,520	30,000

As at 30 June 2024, bank borrowings with amounts of approximately RMB70,520,000 (31 December 2023: RMB30,000,000) were secured by certain of the Group's trade receivables (Note 11) and guarantees from related parties.

As at 30 June 2024, the bank overdrafts facilities in aggregate of approximately RMB110,000,000 (2023: RMB70,000,000) were granted to the Group. As at 30 June 2024, the Group had undrawn bank overdrafts of approximately RMB59,480,000 (31 December 2023: RMB70,000,000).

The Group is required to comply with certain restrictive covenants. The Group has complied with these covenants throughout the reporting period (31 December 2023: Same).

14. SHARE CAPITAL

Details of authorised and issued capital of the Company are as follow:

	Number of authorised shares	Number of issued shares	Issued and fully paid share capital	
			US$	*RMB*
As at 1 January 2023, 31 December 2023, 1 January 2024 and 30 June 2024 – Ordinary shares of US$0.01 each	2,000,000,000	415,000,000	4,150,000	27,221,000

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back at the first half of 2024, although the overall macroeconomic recovery was less than expected, the digital economy had penetrated deeply into all aspects of China's socio-economic activities. As the trend of for digitalisation is becoming increasingly prominent, digital equity-based products and services become ubiquitous, which is reshaping the consumption pattern of the nationals. The core needs of consumers will be more focused on digital equity products, which undoubtedly become one of the key motivators of the Group's development. We continue to solidify our strengths in our core business, deploy diversified digital equity business to drive income growth, grasp business opportunities in the everchanging digital economy, further strengthen our risk resilience ability to cope with complex and volatile market environment through implementing a number of measures such as strategy of reducing costs and enhancing efficiency, promoting refined management and improving operational efficiency and maintain the continued profitability of the Group.

In the first half of 2024, with the concerted efforts of the Board and the management of the Company, as well as the significant efforts and contributions of all staff, the Group continued to successfully develop the digital marketing business in the first half of 2024. Driven by the strong growth of our digital marketing business income in the first half of 2024, the revenue for the six months ended 30 June 2024 was approximately RMB61.3 million, which increased by approximately 99.0% as compared to the revenue of approximately RMB30.8 million for the six months ended 30 June 2023. Gross profit increased by approximately 96.3% from approximately RMB24.5 million for the six months ended 30 June 2023 to approximately RMB48.1 million for the six months ended 30 June 2024. The profit attributable to owners to the Company for the six months ended 30 June 2024 was approximately RMB21.3 million, which significantly increased by approximately 2,266.7% as compared to the profit attributable to owners to the Company of approximately RMB0.9 million for the six months ended 30 June 2023, mainly due to (i) during the Reporting Period, the management of the Company continued to optimize the cost structure of its principal business segments and adopted marketing strategies which were more precise than that in the corresponding period of previous year, resulting in an increase of overall profit margin for the six months ended 30 June 2024 as compared to the six months ended 30 June 2023; and (ii) the transaction amount of digital marketing increased significantly as compared to the six months ended 30 June 2023.

In the first half of 2024, the Group continued to extend the use of the strategic target set in 2023 to deeply explore the blue ocean of data traffic of digital equity business while further aggregating the resources of the Group to successfully develop an equity-based digital marketing service business with a higher gross profit margin. The digital marketing business of the Group achieved revenue of approximately RMB7.7 million in the first half of 2024, representing a significant increase as compared to the revenue of approximately RMB0.5 million in the corresponding period last year. For the six months ended 30 June 2024, the Group's income from digital marketing business accounted for approximately 12.6% of the Group's total income.

Shenzhen Niannianka Network Technology Co., Ltd. ("**Shenzhen NNK**"), an operating entity of the Group, has successively won bids in the first half of 2024 for a number of digital marketing and equity-related product projects for large state-owned banks, joint-stock commercial banks (such as Bank of China Limited, Industrial and Commercial Bank of China Limited, China Construction Bank Corporation and Postal Savings Bank of China Co., Ltd.) and renowned internet brands (such as QQ music and Alipay) in China, which helped to maintain the Group's competitiveness within the industry. As more new customer businesses will be launched successively in the second half of 2024, the Board expects that the proportion of new businesses will continue to increase in the coming years.

OUTLOOK

Since 2023, with the continuous penetration of artificial intelligence (AI) and cloud computing and other digital technologies advancement, the generative AI-empowered large language model has been applied to more complex scenarios, representing a critical moment for the digital transformation of enterprises. Digital economy has become a crucial factor in developing new qualitative productivity and a driving force for economic and social development. The Group will continue to make investment in research and development with the focus on integration strategy and customer value creation, in an effort to foster the continuous growth of its business by strengthening its technical solution capabilities and project delivery capabilities. We will also work on the close strategic collaboration with professional partners such as Guangdong Communication Industry Association, Shenzhen Commodity Exchange Market Federation and Tencent Zhiying for exploring more sustainable business models in vertical fields such as well-being and health, banking, insurance and digital cultural tourism to provide comprehensive solutions to fulfil the needs of different industries, thereby further enhancing the competitiveness of the Company in the digital marketing service industry and providing customers with services of more value.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2024, the Group recorded a revenue of approximately RMB61.3 million, representing an increase of approximately 99.0% as compared with approximately RMB30.8 million for the corresponding period in 2023. The increase in revenue was mainly due to the increase in income of mobile top-up service and transaction volume of digital marketing business during the Reporting Period.

For the six months ended 30 June 2024, the Group achieved an income of approximately RMB7.7 million in the digital marketing business, as compared to the income of approximately RMB0.5 million for the corresponding period in 2023, which was mainly due to the expansion of cooperation between operating subsidiaries of the Group and China's renowned lifestyle service brands such as WeChat Pay, Alipay instant cash reduction, card coupons and credit marketing in the second half of 2023 of which all have achieved remarkable results in the first half of 2024 and the Group has also continued to strengthen the cooperation with customers in financial channels and large state-owned banks in the first half of 2024. The above efforts contributed to a significant increase in digital commodity transactions in the first half of 2024.

Cost of Revenue

Cost of revenue increased by approximately 95.1% to approximately RMB11.9 million for the six months ended 30 June 2024 from approximately RMB6.1 million for the six months ended 30 June 2023, mainly due to the increase in cost of digital marketing related services during the Reporting Period.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 96.3% to approximately RMB48.1 million for the six months ended 30 June 2024 from approximately RMB24.5 million for the six months ended 30 June 2023.

The Group's overall gross profit margin decreased to approximately 78.5% for the six months ended 30 June 2024 from approximately 79.6% for the six months ended 30 June 2023, primarily attributable to the transaction volume of the instant cash reduction business in the first half of 2024 has increased compared to the same period last year, resulting in an increase in the corresponding value tax and surcharges as compared with the same period last year.

Other Income and Other Gains and Losses

Other income and other gains and losses increased by approximately 145.2% to approximately RMB7.6 million for the six months ended 30 June 2024 from approximately RMB3.1 million for the six months ended 30 June 2023. The increase in other income and other gains and losses was primarily due to the increase of refund of value tax from the PRC tax bureau.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 43.5% to approximately RMB6.6 million for the six months ended 30 June 2024 from approximately RMB4.6 million for the six months ended 30 June 2023, primarily attributable to the increase in staff costs and travel expenses resulting from the expansion of new digital equity business of the Group in the first half of 2024.

Administration Expenses

Administration expenses decreased by approximately 12.2% to approximately RMB13.7 million for the six months ended 30 June 2024 from approximately RMB15.6 million for the six months ended 30 June 2023, primarily attributable to the decrease in professional and consultant fees as compared with the corresponding period last year as the Group made continuous efforts to improve the administrative costs of each major business segment.

Research and Development Expenses

Research and development expenses increased by approximately 43.2% to approximately RMB5.3 million for the six months ended 30 June 2024 from approximately RMB3.7 million for the six months ended 30 June 2023, primarily due to the increase in staff cost.

Finance Costs

Finance costs decreased by approximately 29.4% to approximately RMB1.2 million for the six months ended 30 June 2024 from approximately RMB1.7 million for the six months ended 30 June 2023, primarily due to the decrease in average bank borrowings as compared with the corresponding period in 2023.

Income Tax Expense

Under the Law of the PRC EIT Law and Implementation Regulations of the PRC EIT Law, the tax rates of the PRC subsidiaries were 25% for the six months ended 30 June 2024 and 2023.

The income tax expense for the six months ended 30 June 2024 represented the provision of the EIT of approximately RMB8.1 million for the PRC subsidiary (six months ended 30 June 2023: approximately RMB1.1 million).

Profit for the Period Attributable to Owners of the Company

As a result of the cumulative effects of the foregoing, profit for the six months ended 30 June 2024 was approximately RMB21.3 million, as compared with the profit for the six months ended 30 June 2023 of approximately RMB0.9 million.

Liquidity, Financial Resources and Capital Structure

The Group's working capital was funded by cash from operating activities, bank loans and proceeds from the global offering.

As at 30 June 2024, cash and cash equivalents of the Group was approximately RMB63.6 million, as compared with approximately RMB89.8 million as at 31 December 2023. The Group reported net current assets of approximately RMB303.3 million as at 30 June 2024, as compared with approximately RMB281.6 million as at 31 December 2023. The Group's current ratio was approximately 2.7 as at 30 June 2024, as compared with approximately 3.3 as at 31 December 2023.

The bank borrowings of the Group were RMB30.0 million and RMB90.5 million as at 31 December 2023 and 30 June 2024 respectively. As at 31 December 2023 and 30 June 2024, the bank borrowings, being interest-bearing bank borrowings which were denominated in Renminbi, carried fixed interest rates of 3.7% to 4.6% per annum and were repayable in one year.

The Group currently does not adopt any financial instruments for hedging purposes. However, the management will consider the usage of financial instrument for hedging purpose when the need arises.

Trade Receivables

Trade receivables mainly represent receivables from PRC banks in relation to the Group's mobile top-up service. Trade receivables increased from approximately RMB182.4 million as at 31 December 2023 to approximately RMB294.4 million as at 30 June 2024, primarily reflecting the increase in transactions with the PRC banks for their promotion activities for the six months ended 30 June 2024 as compared with the transactions for the year ended 31 December 2023.

Trade receivables turnover days (calculated by the average of the beginning and ending balances of trade receivables of the year/period, divided by the gross transactions value with users for the year/period and multiplied by 365 days for the year ended 31 December 2023 or 181 days for the six months ended 30 June 2024) for the six months ended 30 June 2024 was 6.04 days (for the year ended 31 December 2023: 5.77 days). The Company realised that the increase in transactions with longer credit period would require a much closer monitoring of the settlement in order to ensure business turnover. The Company will continue to monitor the credit risk by ongoing review of the settlement of customers, and annual evaluation of the credit limits according to the track record and financial position of the counterparties.

Gearing Ratio

As at 30 June 2024, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the period) of the Group was 30.2% (as at 31 December 2023: 10.7%).

Capital Expenditures

For the six months ended 30 June 2024, the Group had capital expenditure of approximately RMB0.9 million, as compared with approximately RMB1.2 million for the six months ended 30 June 2023. The expenditure was mainly related to the acquisition of leasehold improvement and computer and office equipment for replacement in the course of daily operations of approximately RMB0.9 million (six months ended 30 June 2023: approximately RMB0.7 million).

Significant Investments

As at 8 December 2023, the Company's wholly foreign-owned enterprise entered into a shareholders agreement with an independent third party for the establishment of Yinsheng Huitang. Pursuant to the agreement, the Group shall fully pay the share capital of Yinsheng Huitang of RMB5.1 million within 5 years.

Saved as disclosed above, the Group did not hold any significant investments during the six months ended 30 June 2024.

Capital Commitments

As at 30 June 2024, except for the Group's capital commitment in relation to the establishment of Yinsheng Huitang amounted to RMB2.1 million, the Group had no capital commitment contracted but not provided for.

Foreign Exchange Risk

The Group's reporting currency is in Renminbi to which the Group's material transactions are denominated. The net proceed from global offering are denominated in Hong Kong Dollars, which exposed the Group to market risk arising from changes in foreign exchange rate. The Group currently does not have a foreign currency hedging policy, however, the management of the Group will monitor foreign exchange exposure closely and consider the usage of hedging instruments when the need arises.

Charges on Assets

As at 30 June 2024, the bank borrowings of RMB70.5 million were secured by certain of the Group's trade receivables (2023: RMB30.0 million).

Contingent Liabilities and Guarantees

As at 30 June 2024, the Group did not have any significant contingent liabilities, guarantees or any litigation.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Saved as disclosed in this announcement, the Group did not have specific plan for material investments or capital assets as at 30 June 2024.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2024, the Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures.

INTERIM DIVIDEND

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

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2024, the Group had 183 full-time employees (as at 31 December 2023: 124). Total staff cost (including Director's remuneration) was approximately RMB19.3 million for the six months ended 30 June 2024, as compared with approximately RMB15.7 million for the six months ended 30 June 2023. All employees have joined the state-managed retirement benefits schemes in the PRC or Mandatory Provident Fund Scheme in Hong Kong which are classified as defined contribution plans. The Group believes that employees are one of its most important assets and the Group strives to offer a competitive remuneration to its employees. The Group has recruited and promoted individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance, qualifications, experience and the prevailing salary levels in the market. The Group has provided training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills.

EVENTS AFTER THE REPORTING PERIOD

There were no significant events that might affect the Group since the end of the six months ended 30 June 2024 and up to the date of this announcement.

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

During the six months ended 30 June 2024, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares).

As at 30 June 2024, the Company did not hold any treasury shares.

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 Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its code of conduct regarding Director's securities transactions. Specific enquiries have been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2024.

CORPORATE GOVERNANCE CODE

The Board believes that good corporate governance plays a vital part in maintaining the success of the Company. The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value accountability.

For the six months ended 30 June 2024, the Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix C1 to the Listing Rules. The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to Shareholders accordingly.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the CG Code. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control systems of the Group, oversee the audit process and select external auditors and assess their independence and qualifications. The Audit Committee comprises three independent non-executive Directors, namely Ms. Zou Guoying, Dr. Li Yao and Mr. Zhang Mingqun. Ms. Zou Guoying is the chairlady of the Audit Committee and she is the independent non-executive Director with the appropriate professional qualifications.

The Audit Committee have reviewed the unaudited consolidated interim results of the Company for the six months ended 30 June 2024 and agreed to the accounting principles and practices adopted by the Company.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company's shares were listed on the Main Board of the Stock Exchange on 7 January 2016 and the Company raised net proceeds (after the exercise of the over-allotment option and after deducting the underwriting fees, commissions and other expenses payable by the Company in connection with the global offering of the Company) of approximately HK$52.0 million. The utilisation of the net proceeds was in accordance with the proposed allocation as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 24 December 2015 (the "**Prospectus**").

The table below sets out the detailed items of the use of proceeds from the initial public offering as at 30 June 2024:

	Net proceeds from the initial public offering as stated in the Prospectus *Approximately in HK$ million*	**Net proceeds after the exercise of the over-allotment option** *Approximately in HK$ million*	**Balance unutilised as at 1 January 2024** *Approximately in HK$ million*	**Amount utilised during the six months ended 30 June 2024** *Approximately in HK$ million*	**Balance unutilised as at 30 June 2024** *Approximately in HK$ million*
Intensify the internet marketing campaigns and online advertisements	15.7	10.4	–	–	–
Upgrade the hardware and network infrastructure	15.7	10.4	–	–	–
Software and research and development activities	11.8	7.8	–	–	–
Source mobile top-up credits	15.7	10.4	–	–	–
Potential acquisitions of businesses and assets that are complementary to our business and operations, such as online services and other internet related businesses, or forming strategic alliance with value chain partners	11.8	7.8	7.8	3.0	4.8
General working capital and other general corporate purposes	8.0	5.2	–	–	–
Total	78.7	52.0	7.8	3.0	4.8

As at 30 June 2024, the unutilised amount of the net proceeds was approximately HK$4.8 million in which the intended use was related to the potential acquisitions of businesses and assets that are complementary to the Group's business and operations, or forming strategic alliance with value chain partners. The Group expected to fully utilize such proceeds in 2024.

SHARE OPTION SCHEME

A share option scheme (the "**Share Option Scheme**") was adopted by the Company on 14 December 2015, details of which are set out in Appendix IV to the Prospectus. Certain provisions of the Share Option Scheme were amended and approved in the extraordinary general meeting of the Company held on 4 November 2016 to include the advisors, consultants, suppliers, customers, distributors, business partners and such other persons who, in the opinion of the Board, will contribute or have contributed to the Company and/or any of its subsidiaries as participants eligible to participate in the Share Option Scheme. Details of amendments were set out in the circular of the Company dated 18 October 2016. During the Reporting Period and up to the date of this announcement, no share options were granted, exercised, lapsed or cancelled by the Company under the Share Option Scheme.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ysdf.com.cn). The 2024 interim report of the Company will be published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Yinsheng Digifavor Company Limited
Dr. Zhou Jinhuang
Chairman and executive Director

Hong Kong, 27 August 2024

As at the date of this announcement, Dr. Zhou Jinhuang, Mr. Guan Heng and Mr. Huang Junmou are the executive Directors; Mr. Fan Weiguo and Mr. Yu Zida are the non-executive Directors; and Mr. Zhang Mingqun, Ms. Zou Guoying and Dr. Li Yao are the independent non-executive Directors.

The English text of this announcement shall prevail over its Chinese text in case of inconsistency.