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

(Formerly known as NNK Group Limited, incorporated in the Cayman Islands with limited liability)

(Stock Code: 3773)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

The board (the "**Board**") of directors (the "**Directors**") of Yinsheng Digifavor Company Limited (the "**Company**") hereby announces the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2023, together with the comparative figures for the corresponding period in 2022. 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 2023

		Six months ended 30 June	
	NOTES	**2023**	2022
		RMB' 000	*RMB' 000*
		(Unaudited)	*(Unaudited)*
Revenue	*4*	**30,799**	41,402
Less: Tax surcharge		**(213)**	(130)
Cost of revenue		**(6,065)**	(6,853)
Gross profit		**24,521**	34,419
Other income and expenses		**3,074**	4,149
Distribution and selling expenses		**(4,568)**	(3,404)
Administrative expenses		**(15,628)**	(11,028)
Research and development expenses		**(3,743)**	(3,249)
Finance costs	*5*	**(1,720)**	(418)
Profit before tax	*6*	**1,936**	20,469
Income tax expense	*7*	**(1,065)**	(4,962)
Profit and total comprehensive income for the period attributable to owners of the Company		**871**	15,507
Earnings per share	*9*		
– Basic and diluted (RMB cents)		**0.21**	3.74

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 30 JUNE 2023

	NOTES	**As at 30 June 2023** ***RMB' 000*** ***(Unaudited)***	As at 31 December 2022 *RMB' 000* *(Audited)*
Non-current assets			
Property, plant and equipment	*10*	**3,639**	3,723
Right-of-use assets	*10*	**2,127**	2,034
Rental deposits		**212**	155
Trade receivables	*11*	**5,369**	9,047
Deferred tax assets		**85**	85
		11,432	15,044
Current assets			
Inventories		**18,262**	9,430
Trade receivables	*11*	**256,886**	234,383
Prepayments, deposits and other receivables		**74,587**	151,525
Cash and cash equivalents		**91,922**	96,217
		441,657	491,555
Current liabilities			
Trade payables	*12*	**23,599**	19,771
Other payables and accruals		**52,631**	60,177
Tax liabilities		**833**	1,578
Bank borrowings	*13*	**100,000**	150,000
Lease liabilities		**785**	635
		177,848	232,161
Net current assets		**263,809**	259,394
Total assets less current liabilities		**275,241**	274,438
Non-current liabilities			
Lease liabilities		**1,491**	1,559
Deferred tax liabilities		**9,930**	9,930
		11,421	11,489
Net assets		**263,820**	262,949
Capital and reserves			
Share capital	*14*	**27,221**	27,221
Reserves		**236,599**	235,728
Total equity		**263,820**	262,949

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2023

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 name of the Company was changed from NNK Group Limited to Yinsheng Digifavor Company Limited with effect from 15 June 2023.

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.

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.

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 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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 equity holders 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 have enabled 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 2022.

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 2022, and therefore, 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**") which collective term includes all applicable individual HKFRSs, HKASs and Interpretation issued by the HKICPA.

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

3. PRINCIPAL ACCOUNTING POLICIES

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

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2022, 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 2023:

HKFRS 17	Insurance Contracts
Amendments to HKAS 1, Presentation of financial statements and HKFRS Practice Statement 2	Making materiality judgements: disclosure of accounting policies
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	International tax reform – Pillar Two Model Rules

The application of the new or amendments to HKFRSs 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	
	2023	2022
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Unaudited)*
Type of service		
Mobile top-up service	**29,085**	41,281
Mobile data usage top-up service	**38**	88
Others	**1,676**	33
	30,799	41,402

The Group provides the mobile top-up and mobile data usage top-up services by facilitating transactions between the PRC telecommunication companies and mobile subscribers, through the channels of financial institutions and other channels. Accordingly, the Group recognises revenue derived from such services on a net basis.

Mobile top-up service income is entitled from the mobile subscribers, net of cost of mobile top-up credits sourced from the PRC telecommunication companies or other vendors.

Mobile top-up service income is recognised when the PRC telecommunication companies completed the mobile top-up service for the mobile subscribers, being at the point of time when the mobile subscribers have the ability to direct the use of the service and obtain the benefit of the service.

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 mobile top-up service, mobile data usage top-up service and other top-up service 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	
	2023	2022
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Unaudited)*
Interest on bank borrowings	**1,660**	350
Interest on lease liabilities	**60**	68
	1,720	418

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2023	2022
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Unaudited)*
Profit before tax has been arrived at after charging/(crediting):		
Directors' emoluments	**3,152**	1,430
Salaries and other benefits, excluding those of directors	**10,609**	8,734
Retirement benefits schemes contributions, excluding those of directors	**1,939**	1,294
Total staff costs	**15,700**	11,458
Depreciation of property, plant and equipment	**751**	432
Depreciation of right-of-use assets	**418**	832
Recognition of impairment loss in respect of trade receivables	**–**	53
Interest income	**(467)**	(950)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2023	2022
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Unaudited)*
Current tax:		
The PRC Enterprise Income Tax ("**EIT**")		
– Current year provision	**843**	5,686
– Under/(over)-provision in prior years	**222**	(724)
	1,065	4,962

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 2022 (unaudited): Nil).

Under the Law of the PRC on Enterprise Income Tax (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 2022 (unaudited): 25%).

As a small-size and low-profit enterprise under the PRC EIT Law, Daily Charge Technology (Shenzhen) Limited ("**Daily Charge SZ**"), a wholly foreign-owned enterprise of the Company, and Shenzhen Qianhai Yixing Network Technology Co., Ltd.* (深圳前海益興網絡科技有限公司), a PRC subsidiary of the Company, were entitled to 20% preferential tax rate and only 12.5% of the taxable profits is subject to the PRC EIT Law, with effective period from 1 January 2022 to 31 December 2024.

* The English translation of the Chinese name denoted in this announcement is for illustration purpose only. Should there be any inconsistencies, the Chinese name shall prevail.

8. DIVIDENDS

No dividends were paid, declared or proposed by the Company for the six months ended 30 June 2023, nor has any dividend been proposed since the end of the reporting period (six months ended 30 June 2022 (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	
	2023	2022
	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	**871**	15,507

	Number of shares Six months ended 30 June	
	2023	2022
	' 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 2023 was presented as there were no potential ordinary shares in issue (six months ended 30 June 2022 (unaudited): Nil).

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

Property, plant and equipment

During the six months ended 30 June 2023, the Group paid RMB667,000 (unaudited) (six months ended 30 June 2022 (unaudited): RMB1,288,000) for the acquisition of leasehold improvement and computer and office equipment.

During the six months ended 30 June 2022, the Group disposed of certain office equipment with an aggregate carrying amount of RMB108,000 for cash proceeds of RMB22,000, resulting in a loss on disposal of RMB86,000.

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 2023, the Group entered into the office premise lease agreement with lease terms of 2 years (six months ended 30 June 2022 (unaudited): 5 years). The Group is required to make fixed lease payments. On lease commencement, the Group recognised right-of-use assets and lease liabilities of both RMB511,000 (six months ended 30 June 2022 (unaudited): both RMB2,193,000).

11. TRADE RECEIVABLES

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 2023	31 December 2022
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Audited)*
0 to 30 days	**199,482**	191,607
31 to 60 days	**28,220**	45,758
Over 60 days	**34,553**	6,065
	262,255	243,430

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.

As at 30 June 2023, included in the Group's trade receivables balance were debtors in mobile top-up business with aggregate carrying amount of RMB2,821,000 (31 December 2022: RMB2,804,000) 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 2023, no allowance for credit loss has been made (six months ended 30 June 2022 (unaudited): RMB53,000).

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 provided, at the end of each reporting period:

	30 June 2023	31 December 2022
	RMB' 000	*RMB' 000*
	(Unaudited)	*(Audited)*
0 to 90 days	**19,485**	14,753
91 to 180 days	**129**	1,290
181 to 360 days	**447**	3,728
over 360 days	**3,538**	–
	23,599	19,771

13. BANK BORROWINGS

	30 June 2023	31 December 2022
	RMB'000	*RMB'000*
	(Unaudited)	*(Audited)*
Short-term bank borrowings	**50,000**	60,000
Bank overdrafts	**50,000**	90,000
	100,000	150,000
Unsecured, fixed interest rate at 5.0% (31 December 2022: ranging from 4.5% to 5.5%) per annum and repayable within one year	**50,000**	60,000
Secured, fixed interest rates ranging from 4.2% to 4.5% (31 December 2022: ranging from 4.2% to 5.5%) per annum and repayable within one year	**50,000**	90,000
	100,000	150,000

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' 000*
As at 1 January 2022, 30 June 2022, 1 January 2023 and 30 June 2023 – Ordinary shares of US$0.01 each	2,000,000,000	415,000,000	4,150,000	27,221

MANAGEMENT DISCUSSION AND ANALYSIS BUSINESS REVIEW

BUSINESS REVIEW

The Group is principally engaged in providing mobile top-up services to mobile users through electronic banking systems of the PRC banks and other channels including third-party online platforms, its own websites and WeChat public account.

As expected by the Board in the 2022 Annual Report, the performance of the Group in the first half of 2023 was impacted by the increasing cost and competition of the mobile top-up business, leading to an significant decrease of approximately 94.4% in the profit attributable to shareholders of the Company as compared to the same period in 2022. The discount rates offered by the PRC telecommunication operators and their distributors have continued to decline in the first half of the year of 2023. As a result, the average discount rate that the Group received from the PRC telecommunication operators, their distributors and other channels decreased to 0.4% for the first half of 2023 from 0.5% for the first half of 2022. The gross transaction value via electronic banking systems decreased by approximately 15.5% to approximately RMB6,570.0 million for the six months ended 30 June 2023 from approximately RMB7,772.3 million for the six months ended 30 June 2022. Overall gross transaction value with mobile users decreased by approximately 10.5% to approximately RMB7,013.7 million for the six months ended 30 June 2023 from approximately RMB7,833.1 million for the six months ended 30 June 2022.

In the first half of 2023, the Group also launched a new business segment of digital marketing services in respect of local living services. As such new business is currently in the early stage of development, its profit contribution to the Group is temporarily limited, but the related operating costs has affected the Group's profit attributable to shareholders for the six months ended 30 June 2023.

OUTLOOK

The Board is currently looking for new business integration and/or expansion opportunities from time to time in order to maintain the Group's competitiveness in view of the potential impact of the long-term instability factors in the mobile top-up industry on the Company's operating prospects. The Group will also adopt a prudent and conservative financial management policy, continue to strengthen and refine its management, in order to achieve cost savings and expense control, so as to mitigate any potential impact on the Group's business development in the post-COVID-19 pandemic era.

In June 2023, Shenzhen Niannianka Network Technology Co., Ltd. ("**Shenzhen NNK**"), a PRC operating subsidiary of the Company, entered into an agency agreement with Shenzhen Tencent Computer Systems Co., Ltd* (深圳市騰訊計算機系統有限公司) ("**Tencent Computer**"), pursuant to which the parties will cooperate in the marketing and sales of products and services of Zenvideo (騰訊智影) ("**Zenvideo Products**") and provision of related technical services. Tencent Zhiying Products are cloud-based products developed by the Zenvideo team, which include the provision of image, audio and video creation and editing services on its online platform, zenvideo.qq.com, through application of artificial intelligence technology.

In July 2023, Shenzhen NNK entered into a tripartite cooperation agreement with Tencent Computer and China Radio and Television Hunan Network Co., Ltd* (中國廣電湖南網路股份有限公司) ("**Hunan Network**") in respect of, among others, business cooperation between Tencent Computer, Hunan Network and Shenzhen NNK, to collaborate, promote and sell the cooperative products to be developed and designed by the parties. Tencent Computer, Hunan Network and Shenzhen NNK will cooperate to integrate Hunan Network's subscriber identification module products and Tencent Computer's gaming products. Shenzhen NNK and Tencent Computer will provide rights and interests in certain products to Hunan Network. Hunan Network will utilise the rights and interests of these products to develop and design the cooperative products accordingly. Tencent Computer and Shenzhen NNK will cooperate with Hunan Network in product design, provision of technical assistance and assistance in product promotion and other related work.

The above cooperation with Tencent Computer marks a crucial step in the Group's strategic plan to expand into the artificial intelligence industry and the gaming industry, which will bring more growth opportunities and room for business expansion to the Group.

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2023, the Group recorded a revenue of approximately RMB30.8 million, representing a decrease of approximately 25.6% as compared with approximately RMB41.4 million for the corresponding period in 2022. The decrease was primarily due to the decrease in mobile top-up requests via electronic banking systems, and at the same time the decrease in average discount rate received from the PRC telecommunication operators and their distributors during the current interim period.

Gross Transaction Value with Mobile Users

The gross transaction value with mobile users decreased by approximately 10.5% to approximately RMB7,013.7 million for the six months ended 30 June 2023 from approximately RMB7,833.1 million for the six months ended 30 June 2022. The gross transaction value via electronic banking systems decreased by approximately 15.5% to approximately RMB6,570.0 million for the six months ended 30 June 2023 from approximately RMB7,772.3 million for the six months ended 30 June 2022. The gross transaction value through other channels including third-party online platforms, the Company's own website and WeChat public account increased by approximately 629.8% to approximately RMB443.7 million for the six months ended 30 June 2023 from approximately RMB60.8 million for the six months ended 30 June 2022. The decrease in the gross transaction values via electronic banking systems was mainly caused by the decrease in marketing activities carried out by banks. The increase in transactions through offline channels and other channels was mainly due to the increase in the transaction volume of Shanghai Rongshu Information Technology Co., Ltd.* (上海榮數信息技術有限公司), a new customer since the end of 2022.

Gross Transaction Value with PRC Telecommunication Operators, their Distributors and other Channels

The average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels decreased from approximately 0.5% for the six months ended 30 June 2022 to approximately 0.4% for the six months ended 30 June 2023. The gross transaction value with the PRC telecommunication operators, their distributors and other channels decreased by approximately 10.4% for the six months ended 30 June 2023 as compared to the six months ended 30 June 2022, which was in line with the decrease in the gross transaction value with mobile users.

Cost of Revenue

Cost of revenue decreased by approximately 11.6% to approximately RMB6.1 million for the six months ended 30 June 2023 from approximately RMB6.9 million for the six months ended 30 June 2022.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 28.8% to approximately RMB24.5 million for the six months ended 30 June 2023 from approximately RMB34.4 million for the six months ended 30 June 2022.

The Group's overall gross profit margin decreased to approximately 79.6% for the six months ended 30 June 2023 from approximately 83.1% for the six months ended 30 June 2022, primarily attributable to the increase in mobile top-up costs.

Other Income and Other Gains and Losses

Other income and other gains and losses decreased by approximately 24.4% to approximately RMB3.1 million for the six months ended 30 June 2023 from approximately RMB4.1 million for the six months ended 30 June 2022. The decrease in other income and other gains and losses was primarily due to the decrease in income on additional credit from the PRC tax bureau for the input value added tax of approximately RMB0.9 million.

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 35.3% to approximately RMB4.6 million for the six months ended 30 June 2023 from approximately RMB3.4 million for the six months ended 30 June 2022, primarily attributable to the increase in sales promotion expenses due to the impact of lifting COVID-19 pandemic restrictions on economic activities in the first half of 2023.

Administration Expenses

Administration expenses increased by approximately 41.8% to approximately RMB15.6 million for the six months ended 30 June 2023 from approximately RMB11.0 million for the six months ended 30 June 2022, primarily attributable to increase in professional and consultants' fees for business development and staff cost.

Research and Development Expenses

Research and development expenses increased by approximately 15.6% to approximately RMB3.7 million for the six months ended 30 June 2023 from approximately RMB3.2 million for the six months ended 30 June 2022, primarily due to the increase in staff cost.

Finance Costs

Finance costs increased by approximately 325.0% to approximately RMB1.7 million for the six months ended 30 June 2023 from approximately RMB0.4 million for the six months ended 30 June 2022, primarily due to the increase in average bank borrowings as compared with the corresponding period in 2022.

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% and 5% for the six months ended 30 June 2023 and 2022.

The income tax expense for the six months ended 30 June 2023 represented the provision of the EIT of RMB1.1 million for the PRC subsidiary (for the six months ended 30 June 2022: RMB5.0 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 2023 was approximately RMB0.9 million, as compared with the profit for the six months ended 30 June 2022 of approximately RMB15.5 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 2023, cash and cash equivalents of the Group was approximately RMB91.9 million, as compared with approximately RMB96.2 million as at 31 December 2022. The Group reported net current assets of approximately RMB263.8 million as at 30 June 2023, as compared with approximately RMB259.4 million as at 31 December 2022. The Group's current ratio was approximately 2.5 as at 30 June 2023, as compared with approximately 2.1 as at 31 December 2022.

The bank borrowings of the Group were RMB150.0 million and RMB100.0 million as at 31 December 2022 and 30 June 2023 respectively. As at 31 December 2022 and 30 June 2023, the bank borrowings, being interest-bearing bank borrowings which were denominated in Renminbi, carried fixed interest rates of 4.2% to 5.5% 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 RMB243.4 million as at 31 December 2022 to approximately RMB262.3 million as at 30 June 2023, primarily reflecting the increase in transactions with the PRC banks for their promotion activities for the six months ended 30 June 2023 as compared with the transactions for the year ended 31 December 2022.

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 mobile users for the year/period and multiplied by 365 days for the year ended 31 December 2022 or 181 days for the six months ended 30 June 2023) for the six months ended 30 June 2023 was 5.74 days (for the year ended 31 December 2022: 4.96 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 2023, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the period) of the Group was 37.9% (As at 31 December 2022: 57.0%).

Capital Expenditures

For the six months ended 30 June 2023, the Group had capital expenditure of approximately RMB1.2 million, as compared with approximately RMB3.5 million for the six months ended 30 June 2022. The expenditure was mainly related to the acquisition of leasehold improvement and computer and office equipment of approximately RMB0.7 million (for the six months ended 30 June 2022: approximately RMB1.3 million) for replacement in daily operations and addition of right-of-use assets of approximately RMB0.5 million (for the six months ended 30 June 2022: RMB2.2 million).

Significant Investments

As at 30 June 2023, the Group did not have any significant investments.

Capital Commitments

As at 30 June 2023, the Group did not have any material capital commitments.

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 2023, the Group did not have any charges over its assets.

Contingent Liabilities and Guarantees

As at 30 June 2023, the Group did not have any significant contingent liabilities and guarantees.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group did not have specific plan for material investments or capital assets as at 30 June 2023.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2023, the Group did not conduct any material acquisition or disposal of subsidiaries, associates and joint ventures.

INTERIM DIVIDENDS

The Board did not recommend the payment of any interim dividend for the six months ended 30 June 2023 (for the six months ended 30 June 2022: Nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2023, the Group had 127 full-time employees (as at 31 December 2022: 134). Total staff cost (including Director's remuneration) was approximately RMB15.7 million for the six months ended 30 June 2023, as compared with approximately RMB11.5 million for the six months ended 30 June 2022. 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 2023 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 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

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 10 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 Model Code during the six months ended 30 June 2023.

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 2023, the Company has complied with all the applicable code provisions as set out in the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Listing Rules. The Board will continue to review and enhance the corporate governance practice of the Company to ensure compliance with the CG Code and align with the latest developments.

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 2023 and agreed to the accounting principles and practices adopted by the Company.

USE OF PROCEEDS FROM GLOBAL OFFERING

The shares of the Company 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 approximately HK$52.0 million. The utilisation of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Future Plans and Use of Proceeds" in the prospectus of the Company dated 24 December 2015.

As at 30 June 2023, the unutilised amount of the net proceeds was approximately HK$7.8 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. During the six months ended 30 June 2023, the Group has not utilised such net proceeds. As the Group had not identified, committed to or entered into negotiations with any acquisition targets or value chain partners, the Group has no specific expected timeframe for fully utilising such proceeds.

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 2023 interim report of the Company will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
Yinsheng Digifavor Company Limited
Huang Junmou
Chairman

Hong Kong, 30 August 2023

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

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