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)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Yinsheng Digifavor Company Limited (the "**Company**") hereby announces the audited consolidated annual results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 (the "**Reporting Period**"), together with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	NOTES	**2023** ***RMB'000***	2022 *RMB'000*
Revenue	*4*	**91,030**	86,655
Less: Tax surcharge		**(730)**	(290)
Cost of revenue		**(16,475)**	(13,887)
Gross profit		**73,825**	72,478
Other income, net	*5*	**7,219**	9,741
Distribution and selling expenses		**(9,976)**	(7,487)
Administrative expenses		**(36,171)**	(30,177)
Research and development expenses		**(7,914)**	(7,298)
Finance costs	*6*	**(2,204)**	(1,095)
Profit before tax	*7*	**24,779**	36,162
Income tax expense	*8*	**(8,426)**	(8,897)
Profit and total comprehensive income for the year attributable to owners of the Company		**16,353**	27,265
Earnings per share	*10*		
– Basic and diluted (RMB cents)		**3.94**	6.57

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2023

	NOTES	**2023**	2022
		RMB'000	*RMB'000*
Non-current assets			
Property, plant and equipment		**3,654**	3,723
Right-of-use assets		**1,696**	2,034
Rental deposits		**154**	155
Trade receivables	*11*	**2,933**	9,047
Deferred tax assets		**80**	85
		8,517	15,044
Current assets			
Inventories		**12,567**	9,430
Trade receivables	*11*	**179,453**	234,383
Prepayments, deposits and other receivables		**122,214**	151,525
Bank balances and cash		**89,782**	96,217
		404,016	491,555
Current liabilities			
Trade payables	*12*	**25,173**	19,771
Other payables and accruals		**62,826**	60,177
Tax liabilities		**3,712**	1,578
Lease liabilities		**723**	635
Bank borrowings		**30,000**	150,000
		122,434	232,161
Net current assets		**281,583**	259,394
Total assets less current liabilities		**290,099**	274,438
Non-current liabilities			
Lease liabilities		**1,124**	1,559
Deferred tax liabilities		**9,673**	9,930
		10,797	11,489
Net assets		**279,302**	262,949
Capital and reserves			
Share capital		**27,221**	27,221
Reserves		**252,081**	235,728
Total equity		**279,302**	262,949

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands and its shares (the "**Share(s)**") 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 Republic of China (the "**PRC**").

The Company is an investment holding company. The principal activities of the Group include the mobile top-up services to mobile subscribers and digital marketing services to customers in the PRC.

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

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company and its subsidiaries.

2. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

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 all of 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 registered shareholders; and
- obtain a pledge over the entire equity interest of Shenzhen NNK from its registered shareholders as collateral security for all of Shenzhen NNK due to the Group and to secure performance of 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 wholly-owned subsidiary and consolidated the financial position and results of Shenzhen NNK in the consolidated financial statements of the Group during both years.

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

3. MATERIAL ACCOUNTING POLICIES

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standard ("**HKFRSs**"), the accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2023 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2022.

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform-Pillar Two Model Rules
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except fo those described in the consolidated financial statements, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue from contracts with customers

	2023 *RMB'000*	2022 *RMB'000*
Type of service		
Recognised at a point in time:		
Mobile top-up service	**83,793**	83,951
Mobile data usage top-up service	**61**	149
Telecommunication Equipment Business	**588**	1,897
Dealership Business	**643**	634
Digital marketing service – Commission income for marketing campaign services	**2,454**	24
Recognised over time:		
Digital marketing service – Services income for live streaming	**3,491**	–
Total	**91,030**	86,655

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.

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 and 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 in time when the mobile subscribers have the ability to direct the use of the credits and obtain the benefit of the credits.

In respect of digital marketing business, the revenue from provision of one-stop live streaming e-commerce services was recognised when the relevant marketing services are provided to the advertiser customers and the commission income from sourcing and arranging the digital vouchers or coupons to the online payers in the marketing campaign was recognised when the relevant digital vouchers and coupons have been passed to online payers.

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 and 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 principally generated from the different kind of services provided 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 years.

5. OTHER INCOME, NET

	2023	2022
	RMB'000	*RMB'000*
Interest income		
– from structured deposits *(Note i)*	**133**	790
– from bank deposits	**687**	1,175
Government subsidy *(Note ii)*	**2,980**	2,010
Recognition of impairment loss in respect of trade receivables	**(66)**	(168)
Net foreign exchange (loss)/gain	**(65)**	691
Gain/(loss) on written off/disposals of property, plant and equipment	**177**	(222)
Gain on early termination of leases	**–**	55
Income on additional credit for the input value added tax ("**VAT**") *(Note iii)*	**3,484**	5,473
Others	**(111)**	(63)
	7,219	9,741

Notes:

(i) During the years ended 31 December 2023 and 2022, the Group entered into principal and return unprotected-structured deposits with banks in the PRC that were denominated in RMB and without fixed maturity period. Interest of the structured deposits varied depending on the performance and return of underlying investments managed by the banks. The structured deposits were classified as financial assets at fair value through profit or loss on initial recognition. All the structured deposits were purchased and redeemed during the year ended 31 December 2023 (2022: Same).

(ii) During the year ended 31 December 2023, the relevant government authority granted a subsidy to the Group in relation to the Group's industry related funding scheme. The government subsidy was recognised in the profit or loss in the year in which it became receivable.

(iii) On 21 March 2019, the PRC tax authority has published 2019 Bulletin 39 with effective period from 1 April 2019 to 31 December 2021 which states that additional 10% of input VAT would be granted to the qualified general VAT payer to offset VAT payables. On 3 March 2022, the PRC tax authority has extended the effective period to 31 December 2022 in Announcement 2022 Bulletin 11.

On 9 January 2023, the PRC tax authority has published 2023 Bulletin 1 with effective period from 1 April 2023 to 31 December 2023 which states that additional 5% of input VAT would be granted to the qualified general VAT payer to offset VAT payables.

6. FINANCE COSTS

	2023	2022
	RMB'000	*RMB'000*
Interest on bank overdrafts	**1,299**	728
Interest on short-term bank borrowings	**789**	229
Interest on lease liabilities	**116**	138
	2,204	1,095

7. PROFIT BEFORE TAX

	2023	2022
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging:		
Directors' emoluments	**8,466**	3,464
Salaries and other benefits, excluding those of directors	**24,277**	21,561
Retirement benefit scheme contributions, excluding those of directors	**3,858**	2,856
Total staff costs	**36,601**	27,881
Depreciation of property, plant and equipment	**1,522**	1,058
Depreciation of right-of-use assets	**849**	1,421
Auditor's remuneration		
– Audit services	**1,200**	2,002
– Non-audit services	**220**	492

8. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax ("**EIT**")	**7,388**	8,239
– PRC Withholding Tax	**500**	–
	7,888	8,239
Underprovision in prior years		
– PRC EIT	**790**	93
	8,678	8,332
Deferred tax – PRC EIT	**(252)**	565
	8,426	8,897

Cayman Islands

The Company was incorporated in the Cayman Islands and is exempted from income tax.

Hong Kong

No provision for taxation in Hong Kong has been made in the consolidated financial statements as no assessable profit was generated in Hong Kong for both years.

The PRC

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 is 25% for both years.

As a small-size and low-profit enterprise under the PRC EIT Law, certain subsidiaries of the Group were entitled to 20% preferential tax rate and only 25% of the taxable profits is subject to the PRC EIT Law, with effective period from 1 January 2023 to 31 December 2024.

9. DIVIDENDS

No dividend was paid or proposed for ordinary shareholders of the Company during 2023, nor has any dividend been proposed since the end of the Reporting Period (2022: Nil).

10. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company is based on profit for the year attributable to owners of the Company and the weighted average number of ordinary shares (2022: Same).

No diluted earnings per share for the year were presented as there were no potential ordinary share in issue (2022: Same).

11. TRADE RECEIVABLES

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
Trade receivables		
– Mobile top-up service	**132,798**	197,150
– Telecommunication Equipment Business	**11,385**	29,010
– Dealership Business	**–**	17,523
– Digital marketing service	**38,522**	–
Less: allowance of credit losses	**(319)**	(253)
	182,386	243,430
Less: amount due for settlement with 12 months shown under current assets	**(179,453)**	(234,383)
Amount due for settlement after 12 months shown under non-current assets	**2,933**	9,047

Trade receivables from mobile top-up service mainly represent receivables 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 (2022: 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 (2022: 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.

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

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
0 to 30 days	**119,056**	191,607
31 to 60 days	**48,948**	45,758
Over 60 days	**14,382**	6,065
	182,386	243,430

As at 31 December 2023, bank borrowings with amounts of RMB30,000,000 were secured by certain of the Group's trade receivables (2022: RMB85,000,000).

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 mainly provided by the PRC telecommunication companies to the mobile subscribers, at the end of respective reporting periods:

	31/12/2023	31/12/2022
	RMB'000	*RMB'000*
0 to 90 days	**19,934**	14,753
91 to 180 days	**805**	1,290
181 to 365 days	**208**	3,728
More than 1 year	**4,226**	–
	25,173	19,771

MANAGEMENT DISCUSSION AND ANALYSIS

Business Review

The English name of the Company has been changed from "NNK Group Limited" to "Yinsheng Digifavor Company Limited", while the Chinese name has been changed from "年年卡有限公司" to "銀盛數惠數字有限公司" with effect from 15 June 2023. The name change clearly reflects the future strategic positioning and the business development of the Company, which is beneficial to the Company's current and future business expansion and brand building.

The Group faced challenges in the industry in 2023. However, with the significant efforts and contributions of the Company's Board and new management, the Group has successfully developed digital marketing business during 2023 to promote the sustainable development of the Group. Driven by the significant increase in revenue from our digital marketing business during 2023, our revenue for the year ended 31 December 2023 amounted to approximately RMB91.0 million, representing an increase of approximately 5.0% as compared to the revenue of approximately RMB86.7 million for the year ended 31 December 2022. Gross profit increased by approximately 1.8% to approximately RMB73.8 million for the year ended 31 December 2023 from approximately RMB72.5 million for the year ended 31 December 2022. The profit attributable to owners of the Company for the year ended 31 December 2023 was approximately RMB16.4 million, representing a decrease of approximately 39.9% as compared to the profit attributable to owners of the Company of approximately RMB27.3 million for the year ended 31 December 2022, mainly because the Group continued to research and develop new business products and explore new business channels during the year, resulting in an increase in marketing expenses, labor costs and financial costs as compared to last year.

During 2023, the Group won bids for diversified digital marketing projects (including mobile top-up) of large state-owned banks and joint-stock commercial banks in China, which helped to maintain the Group's competitiveness within the industry. Meanwhile, in order to explore more possibilities in the field of digital equity commodities, further aggregate industry resources and further explore the blue ocean of data traffic in the field of digital equity commodities, the Group proactively developed equity-based digital marketing services business in 2023 to mitigate potential risks arising from the Group's heavy reliance on mobile top-up business in the past. In 2023, the Group's digital marketing business achieved revenue of approximately RMB5.9 million, representing a significant increase as compared to the revenue of approximately RMB0.02 million in the same period last year. During 2023, Shenzhen Niannianka Network Technology Co., Ltd. (深圳市年年卡網絡科技有限公司) ("**Shenzhen NNK**"), an operating entity of the Group, successively won bids for a number of digital marketing and equity products projects, such as large state-owned banks, joint-stock commercial banks in China and well-known internet brands (such as QQ Music (QQ 音樂), Meituan Waimai (美團外賣) and Wanda Film (萬達電影)). The Company expects that the Group will be able to enhance its competitiveness and user base in the digital marketing service industry through these awarded cooperation projects, and the synergies brought by the cooperations will benefit the Group's future business development.

In the first half of 2023, due to the fierce competition in the market and the rapid changes in operating profit model, the Group has gradually ceased to carry out two businesses, namely the Dealership business and the Telecommunications Equipment Business, in 2023, in response to various reasons, including market development prospects, cost control and risk management.

Outlook

Looking forward to 2024, we will forge ahead and continue to seek diversified development, accelerate the upgrade of the Group's business model, and strengthen our risk hedging capabilities. In order to address the marketing pain points faced by the banking industry, the Group officially launched Digifavor Master (數惠 Master), a digital and intelligent equity product system, in the second half of 2023, based on the concept of digital and intelligence equity system and marketing system. This system aims to achieve a win-win situation for both upstream and downstream and provide B2B and B2C customers with more value-added services by realizing more connection between upstream brands and downstream consumption. In addition, the Group conducts data mining and analysis based on the user data accumulated by itself and data from other sources, so as to introduce customized products that cater for customers' needs.

In December 2023, the Digital Human Business Unit of Yinsheng Digifavor was formed in Changsha, Hunan Province, the PRC, which primarily focuses on the technology service relating to AI-empowered digital human marketing to provide customers in the finance industry with customized digital human application services, aiming to realize the promotion and innovation of business application of digital human in finance and insurance industry. Its core products and services mainly consist of AI-empowered digital human, the cloning, training and intellectual property (IP) creation of AI-empowered digital human, and artificial intelligence generated content (AIGC) finance industry business training.

On 8 December 2023, Daily Charge Technology (Shenzhen) Co., Ltd. (天天充科技(深圳)有限公司) ("**Daily Charge Shenzhen**") entered into a joint venture agreement (the "**Agreement**") with Shenzhen Yuanshi Shuzhi Technology Co., Ltd. (深圳市遠實數智科技有限公司) (the "**Strategic Partner**"), an independent third-party, for the establishment of Shenzhen Yinsheng Huitang Technology Co., Ltd. (深圳市銀盛慧糖科技有限公司) (the "**Yinsheng Huitang**") with business portfolio including (but not limited to) establishing an online consultation, diagnosis and treatment management service platform for chronic diseases such as diabetes, and providing relevant big data, artificial intelligence models and digital human customer service. The Yinsheng Huitang will be owned by Daily Charge Shenzhen and the Strategic Partner with equity interest of 51.0% and 49.0%, respectively. The Group expects that this investment cooperation with the Strategic Partner is a favorable opportunity for the Group's layout in digital and intelligent healthcare management.

With the aforesaid strategic expansion in the field of digitalization and artificial intelligence, the Board strives to further enhance its digital ecological value in the future and create more commercial value for shareholders, business partners and customers of the Company.

Financial Review

Revenue

For the Reporting Period, the Group recorded a revenue of approximately RMB91.0 million, representing an increase of approximately 5.0% as compared with approximately RMB86.7 million for the year ended 31 December 2022. The increase in revenue was primarily due to the increase of transaction volume of digital marketing business during the Reporting Period.

In 2023, the Group achieved an income of approximately RMB5.9 million in the digital marketing business, representing a significant increase as compared with the income of approximately RMB0.02 million for the same period in 2022, 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 2023 and strengthening of cooperation with customers in financial channels and large state-owned banks such as Bank of Communications of China and China Construction Bank, which led to a significant increase in digital commodity transactions.

Cost of Revenue

Cost of revenue increased by approximately 18.7% to approximately RMB16.5 million for the year ended 31 December 2023 from approximately RMB13.9 million for the year ended 31 December 2022, primarily due to the increase in the cost of digital marketing related services during the Reporting Period.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 1.8% to approximately RMB73.8 million for the year ended 31 December 2023 from approximately RMB72.5 million for the year ended 31 December 2022.

The Group's overall gross margin decreased slightly to approximately 81.1% for the year ended 31 December 2023 from approximately 83.6% for the year ended 31 December 2022.

Other Income and Expenses

Other income and expenses decreased by approximately 25.8% to approximately RMB7.2 million for the year ended 31 December 2023 from approximately RMB9.7 million for the year ended 31 December 2022. Such decrease was primarily due to the decrease in income on additional credit for the input value added tax ("**VAT**").

Distribution and Selling Expenses

Distribution and selling expenses increased by approximately 33.3% to approximately RMB10.0 million for the year ended 31 December 2023 from approximately RMB7.5 million for the year ended 31 December 2022, mainly due to the restructure of the marketing team by the Group in response to business expansion during the Reporting Period, which led to an increase in labor costs and business sales expenses as compared to the correspondence period of previous year.

Administration Expenses

Administration expenses increased by approximately 19.9% to approximately RMB36.2 million for the year ended 31 December 2023 from approximately RMB30.2 million for the year ended 31 December 2022, mainly attributable to the increase in staff costs in response to the needs of the Group's business expansion during the Reporting Period.

Research and Development Expenses

Research and development expenses increased by approximately 8.2% to approximately RMB7.9 million for the year ended 31 December 2023 from approximately RMB7.3 million for the year ended 31 December 2022, primarily due to the increase in staff costs during the Reporting Period.

Finance Costs

Finance costs increased by approximately 100.0% to approximately RMB2.2 million for the year ended 31 December 2023 from approximately RMB1.1 million for the year ended 31 December 2022, primarily due to the capital needs for various new digital marketing business projects, which led to an increase in average bank borrowings during the Reporting Period.

Income Tax Expense

The Group's income tax expense decreased from approximately RMB8.9 million for the year ended 31 December 2022 to approximately RMB8.4 million for the year ended 31 December 2023, which was mainly due to the decrease in total operating profit for the Reporting Period.

Profit for the Year attributable to Owners of the Company

As a result of cumulative effects of foregoing, profit attributable to owners of the Company for the year ended 31 December 2023 was approximately RMB16.4 million, as compared with profit attributable to owners of the Company for the year ended 31 December 2022 of approximately RMB27.3 million, mainly because the Group continued to develop new businesses during the Reporting Period, which led to an increase in marketing expenses, labor costs and financial costs as compared to the correspondence period of previous year.

Liquidity, Financial Resources and Capital Structure

There has been no change in the capital structure of the Company during the Reporting Period. The capital of the Company consists of net debts (including bank borrowings), net cash and cash equivalents and equity attributable to owners of the Company (including issued share capital, retained profits and other reserves). The bank borrowings were all dominated in RMB and were repayable within one year with fixed interest rate of 4.0%. The cash and cash equivalents were mainly dominated in RMB and Hong Kong dollars. Certain financial data are summarized as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Bank balances and cash	**89,782**	96,217
Net current assets	**281,582**	259,394
Net cash from/(used in) operating activities	**117,148**	(33,503)
Net cash (used in)/from financing activities	**(123,062)**	57,546

As at 31 December 2023, bank balances and cash of the Group was approximately RMB89.8 million, as compared with approximately RMB96.2 million as at 31 December 2022. The Group reported net current assets of approximately RMB281.6 million as at 31 December 2023, as compared with approximately RMB259.4 million as at 31 December 2022. The Group's current ratio was approximately 3.3 as at 31 December 2023, as compared with approximately 2.1 as at 31 December 2022.

For the year ended 31 December 2023, net cash from operating activities was approximately RMB117.1 million, as compared with net cash used in operating activities of approximately RMB33.5 million for the year ended 31 December 2022. For the year ended 31 December 2023, net cash used in financing activities was approximately RMB123.1 million, as compared with net cash from financing activities of approximately RMB57.5 million for the year ended 31 December 2022. The decrease in net cash used in operating activities was due to a decrease in advance payments to upstream suppliers and decrease in trade receivables from clients.

The management reviews the Group's capital needs on a monthly basis to meet the capital requirement for mobile top-up services and new business operations. As at 31 December 2023, the borrowings of the Group was approximately RMB30.0 million, as compared with approximately RMB150.0 million as at 31 December 2022. As at 31 December 2023, the total bank borrowings, being interest-bearing bank borrowings which were dominated in RMB, carried interest rate at 4.0% (31 December 2022: fixed interest rate ranging from 4.2% to 5.5%) per annum and were repayable within one year.

Trade Receivables

Trade receivables mainly represent receivables from our customers in relation to our mobile top up service, digital marketing service and the telecommunication equipment business with amounts of approximately RMB132.8 million, RMB38.5 million and RMB11.4 million, respectively. Trade receivables from mobile top up service decreased from approximately RMB197.2 million for the year ended 31 December 2022 to approximately RMB132.8 million for the year ended 31 December 2023, primarily due to the decrease in transactions with longer credit period (about 30 to 45 days from invoice date) with the banks.

Trade receivables turnover days (calculated by the average of the beginning and ending balances of trade receivables of the year, divided by the gross transactions value with mobile users for the year and multiplied by 366 days) for the year ended 31 December 2023 was 5.77 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 the settlement of customers, and evaluate the credit limits annually accordingly to the track record and financial position of the counterparties. The Group's trading terms with the customers of the two new businesses, namely Dealership Business and Telecommunication Equipment Business, are mainly on credit with credit periods ranging from three months to three years depending on several factors including trade practice, the size of the contracts, credibility and reputation of the customers. In order to manage the credit risks associated with trade receivables with these customers effectively, credit limits of these customers are evaluated periodically. Overdue balances are reviewed regularly by the senior management. An impairment analysis is performed at each reporting date to measure expected credit losses.

Gearing Ratio

As at 31 December 2023, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the year) of the Group decreased to approximately 10.7% from approximately 57.0% as at 31 December 2022 due to the decrease in bank borrowings during the Reporting Period.

Capital Expenditures

For the year ended 31 December 2023, the Group had capital expenditure of approximately RMB1.5 million, as compared with approximately RMB3.1 million for the year ended 31 December 2022. The decrease of the above expenditure was mainly attributable to the decrease in office renovation expenses during the Reporting Period as compared to the correspondence period of previous year.

Significant Investment

As at 31 December 2023, the Group did not have any significant investment.

Capital Commitments

As at 31 December 2023, the Group had capital commitment of RMB5.1 million which was related to the establishment of the Yinsheng Huitang. Please refer to the section of Outlook in this announcement for detail.

Foreign Exchange Risk

The Group's reporting currency is in RMB 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 fluctuations 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 31 December 2023, bank borrowings with amounts of RMB30 million were secured by certain of the Group's trade receivables (2022: RMB85 million).

Contingent Liabilities and Guarantees

As at 31 December 2023 and 2022, the Group did not have any significant contingent liabilities, guarantees or any litigation.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

On 8 December 2023, a wholly foreign-owned enterprise of the Company entered into the JV Agreement with an independent third party, for the establishment of the Yinsheng Huitang. Based on the Agreement, the Group was required to fully pay share capital of the Yinsheng Huitang amounted to RMB5.1 million within 5 years.

Save as disclosed above, for the year ended 31 December 2023, the Group did not have any specific plan for material investments or acquisition of material capital assets.

MATERIAL ACQUISITIONS OR DISPOSALS

During the Reporting Period, there was no material acquisition or disposal of subsidiaries, associated companies and joint ventures by the Group.

CLOSURE OF REGISTER OF MEMBERS

The forthcoming annual general meeting of the Company ("**AGM**") will be held on Friday, 21 June 2024. Notice of the AGM will be published and despatched to the shareholders of the Company ("**Shareholders**") in due course.

For determining the entitlement to attend and vote at the AGM, the transfer books and register of members of the Company will be closed from Tuesday, 18 June 2024 to Friday, 21 June 2024, both dates inclusive, during which period no share transfers can be registered. In order to qualify for attending and voting at the AGM, unregistered holders of shares of the Company should ensure that all share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Monday, 17 June 2024. Shareholders whose names are recorded in the register of members of the Company on 21 June 2024 are entitled to attend and vote at the AGM.

DIVIDEND

The Directors did not recommend payment or the declaration of final dividend for the year ended 31 December 2023.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 124 (31 December 2022: 134) full-time employees. Total staff cost (including Directors' remuneration) was approximately RMB36.6 million for the year ended 31 December 2023, as compared with approximately RMB27.9 million for the year ended 31 December 2022. 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 been recruiting and promoting 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 been providing training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills.

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 31 December 2023:

	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 2023 *Approximately in HK$ million*	Amount utilised during the year ended 31 December 2023 *Approximately in HK$ million*	Balance unutilised as at 31 December 2023 *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 service sand other internet related businesses, or forming strategical liance with value chain partners	11.8	7.8	7.8	–	7.8
General working capital and other general corporate purposes	8.0	5.2	–	–	–
Total	78.7	52.0	7.8	–	7.8

As at 31 December 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. The Group expected to fully utilize such proceeds in 2024.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event that might affect the Group since 31 December 2023.

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

During the Reporting Period, 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 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 all Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code throughout the year ended 31 December 2023.

CORPORATE GOVERNANCE

It is the belief of the Board 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 and to enhance corporate accountability.

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 throughout the year ended 31 December 2023. 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 an audit committee (the "**Audit Committee**") with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph D.3 of the code provision of 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 system of the Group, oversee the audit process and select external auditors and assess their independence and qualifications. The Audit Committee consists of three independent non-executive Directors, being Ms. Zou Guoying, Dr. Li Yao and Mr. Zhang Mingqun. Ms. Zou Guoying is the chairwoman of the Audit Committee.

The Audit Committee, together with the auditors of the Company, Moore CPA Limited ("**Moore CPA**"), have reviewed the annual results of the Group for the year ended 31 December 2023 and agreed to the accounting principle and practices adopted by the Group.

SCOPE OF WORK OF MOORE CPA (formerly known as "Moore Stephens CPA Limited")

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 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditor, Moore CPA, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 27 March 2024. The work performed by Moore CPA in this respect did not constitute an 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 HKICPA and consequently no opinion or assurance conclusion has been expressed by Moore CPA on the preliminary announcement.

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 ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ysdf.com.cn). The 2023 annual report 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 March 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.