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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 2024

The board (the “**Board**”) of directors (the “**Directors**”) of Yinsheng Digifavor Company Limited (the “**Company**”) is pleased to announce the audited consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2024 (the “**Reporting Period**”), together with the comparative figures for the year ended 31 December 2023, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2024

	<i>NOTES</i>	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Revenue	<i>4</i>	128,627	91,030
Less: Tax surcharge		(3,065)	(730)
Cost of revenue		(23,461)	(16,475)
Gross profit		102,101	73,825
Other income, net	<i>5</i>	7,060	7,219
Distribution and selling expenses		(16,531)	(9,976)
Administrative expenses		(38,496)	(36,171)
Research and development expenses		(12,529)	(7,914)
Finance costs	<i>6</i>	(3,215)	(2,204)
Profit before income tax	<i>7</i>	38,390	24,779
Income tax expense	<i>8</i>	(9,049)	(8,426)
Profit and total comprehensive income for the year		29,341	16,353
Profit and total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		31,943	16,353
Non-controlling interests		(2,602)	—
		29,341	16,353
Earnings per share	<i>10</i>		
– Basic and diluted (RMB cents)		7.70	3.94

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AT 31 DECEMBER 2024

	<i>NOTES</i>	2024 RMB'000	2023 RMB'000
Non-current assets			
Property, plant and equipment		3,483	3,654
Right-of-use assets		1,012	1,696
Rental deposits		155	155
Trade receivables	<i>11</i>	–	2,933
Deferred tax assets		410	80
		5,060	8,518
Current assets			
Inventories		15,731	12,566
Trade receivables	<i>11</i>	284,437	179,453
Prepayments, deposits and other receivables		195,360	122,214
Tax recoverable		2,764	–
Restricted bank deposits		6,631	–
Cash and cash equivalents		50,841	89,782
		555,764	404,015
Current liabilities			
Trade payables	<i>12</i>	42,407	25,173
Other payables and accruals		77,180	62,826
Tax liabilities		61	3,712
Lease liabilities		505	723
Borrowings		122,000	30,000
		242,153	122,434
Net current assets		313,611	281,581
Total assets less current liabilities		318,671	290,099
Non-current liabilities			
Lease liabilities		619	1,124
Deferred tax liabilities		9,409	9,673
		10,028	10,797
Net assets		308,643	279,302
Capital and reserves			
Share capital		27,221	27,221
Reserves		284,024	252,081
Total equity attributable to owners of the Company		311,245	279,302
Non-controlling interests		(2,602)	–
Total equity		308,643	279,302

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2024

1. GENERAL

The Company is 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 includes the provision of mobile charges/mobile data usage top-up services to mobile subscribers and the provision of digital marketing services business in the PRC.

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. A series of contracts (the “**Structured Contracts**”) were arrived between Daily Charge Technology (Shenzhen) Co., Ltd, a wholly foreign-owned enterprise of the Company, and 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 in accordance with Hong Kong Financial Reporting Standard (“**HKFRSs**”), which includes all HKFRSs, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange (“**Listing Rules**”) and by the Hong Kong Companies Ordinance.

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

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 amendments to HKFRSs, the accounting policies and methods of computation used in the consolidated financial statements for the year ended 31 December 2024 are the same as those followed in the preparation of the Group’s annual financial statements for the year ended 31 December 2023.

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual periods beginning on or after 1 January 2024 for the preparation of the consolidated financial statements:

Amendments to HKFRS 16	Lease liability in a sale and leaseback
Amendments to HKAS 1	Classification of liabilities as current or non-current and related amendments to Hong Kong Interpretation 5 (2020)
Amendments to HKAS 1	Non-current liabilities with covenants
Amendments to HKAS 7 and HKFRS 7	Supplier finance arrangements

The application of the 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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Type of service, at the point in time		
Mobile charges and mobile data usage top-up services	104,232	83,854
Telecommunication equipment business	269	588
Dealership Business	–	643
Digital marketing service		
– Commission income for marketing campaign services	21,217	2,454
– Service income for marketing campaign services	628	–
Type of service, over time*		
Digital marketing service – Service income for live streaming	2,281	3,491
Total	128,627	91,030

* The Group applies the practical expedient in paragraph 21 of HKFRS 15 and does not disclose information about remaining performance obligation that have original expected duration 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.

Following the Group’s diversified business, the Group reorganised its reporting structure in the current year and presented the following two operating and reportable segments under HKFRS 8:

Top up services: – provision of mobile charges and mobile data usage top up services to mobile subscribers

Digital marketing services: – provision of one-stop live streaming services and sourcing and delivery of virtual products and related value-added services

Certain comparative figures of segment information were therefore restated to conform with current year’s presentation.

The Group’s operating segments are strategic business units that offer different services. They are managed separately because each business requires different marketing strategies. The Group’s CODMs make decision according to the operating results of each segment.

No information on segment assets and liabilities was prepared for review by the Group’s CODMs for the year for the purpose of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

(a) *Segment results*

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODMs monitor the results attributable to each reportable segment on the following basis:

Revenue and expenses are allocated to the reportable segments with reference to sales generated by those segments and the expenses incurred by those segments. The measure used for reporting segment profit is gross profit.

	Top up services		Digital marketing services		Total	
	2024	2023	2024	2023	2024	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue from external customers	104,501	84,442	24,126	6,588	128,627	91,030
Less: Tax surcharge	(2,490)	(677)	(575)	(53)	(3,065)	(730)
Cost of revenue	(14,765)	(13,828)	(8,696)	(2,647)	(23,461)	(16,475)
Reportable segment profit (gross profit)	87,246	69,937	14,855	3,888	102,101	73,825

(b) *Reconciliations of reportable segment revenue and profit before income tax*

	2024	2023
	RMB'000	RMB'000
Revenue		
Reportable segment revenue (Note 4)	128,627	91,030
Profit before income tax		
Reportable segment profit derived from the Group's external customers	102,101	73,825
Other income, net	7,060	7,219
Distribution and selling expenses	(16,531)	(9,976)
Administrative expenses	(38,496)	(36,171)
Research and development expenses	(12,529)	(7,914)
Finance costs	(3,215)	(2,204)
Profit before income tax	38,390	24,779

Segment profit represented the profit earned by each segment without allocation of other income (net), distribution and selling expenses, administrative expenses, research and development expenses and finance costs.

Geographical information

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

Information about major customers

During the year ended 31 December 2024, the Group's customer base is diversified and had no customer with whom transactions have exceeded 10% of the Group's total revenue (2023: Nil).

5. OTHER INCOME, NET

	2024 RMB'000	2023 RMB'000
Interest income:		
– from structured deposits (Note i)	–	133
– from bank deposits	<u>216</u>	<u>687</u>
	<u>216</u>	<u>820</u>
Other income:		
Government subsidy (Note ii)	8,159	2,980
Income on additional credit for the input value added tax (“VAT”) (Note iii)	<u>–</u>	<u>3,484</u>
	<u>8,159</u>	<u>6,464</u>
Other losses, net:		
Recognition of impairment loss in respect of trade receivables	(1,321)	(66)
Written down of inventories	(185)	–
Net foreign exchange loss	(128)	(65)
Gain on disposals of property, plant and equipment	356	177
Others	<u>(37)</u>	<u>(111)</u>
	<u>(1,315)</u>	<u>(65)</u>
	<u>7,060</u>	<u>7,219</u>

Notes:

- (i) During the year ended 31 December 2023, the Group purchased certain structured deposits with banks in the PRC that were denominated in RMB and without fixed maturity period and redeemable anytime without restriction. 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.
- (ii) During the year ended 31 December 2024, 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 profit or loss in the year in which it became receivable and there were no unfulfilled conditions attached to this subsidy (2023: Same).
- (iii) 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

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Interest on bank overdrafts	1,344	1,299
Interest on short-term bank borrowings	1,589	789
Interest on other borrowings	201	–
Interest on lease liabilities	81	116
	<u>3,215</u>	<u>2,204</u>

7. PROFIT BEFORE INCOME TAX

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Profit before income tax has been arrived at after charging:		
Directors' emoluments	9,067	8,466
Salaries and other benefits, excluding those of directors	37,557	24,277
Retirement benefit scheme contributions, excluding those of directors	5,187	3,858
Total staff costs	<u>51,811</u>	<u>36,601</u>
Depreciation of property, plant and equipment	1,488	1,522
Depreciation of right-of-use assets	684	849
Auditor's remuneration		
– Audit services	1,168	1,200
– Non-audit services	180	220
	<u>1,348</u>	<u>1,420</u>

Total staff costs of approximately RMB13,511,000 (2023: RMB8,971,000), RMB27,278,000 (2023: RMB20,517,000) and RMB11,022,000 (2023: RMB7,113,000) have been charged to distribution and selling expenses, administrative expenses and research and development expenses, respectively for the year ended 31 December 2024.

8. INCOME TAX EXPENSE

	2024 <i>RMB'000</i>	2023 <i>RMB'000</i>
Current income tax:		
– PRC Enterprise Income Tax (“EIT”)	8,862	7,388
– PRC Withholding Tax	<u>1,000</u>	<u>500</u>
	9,862	7,888
(Over)/Under-provision in prior years		
– PRC EIT	<u>(219)</u>	<u>790</u>
	9,643	8,678
Deferred tax, net – PRC EIT	<u>(594)</u>	<u>(252)</u>
	<u><u>9,049</u></u>	<u><u>8,426</u></u>

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.

Certain PRC subsidiaries of the Group, which are small-size and low-profit enterprise under the PRC EIT Law, are entitled to effective PRC EIT rate of 5% for first RMB3 million of their annual taxable income with effective period from 1 January 2023 to 31 December 2027. The PRC EIT is calculated at 25% (2023: 25%) of the estimated assessable profits of remaining subsidiaries operating in the PRC.

9. DIVIDENDS

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

10. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on profit attributable to owners of the Company of approximately RMB31,943,000 (2023: RMB16,353,000) and the weighted average of 415,000,000 (2023: 415,000,000) ordinary shares in issue during the year ended 31 December 2024.

No diluted earnings per share for the year were presented as there were no potential ordinary share in issue (2023: Same).

11. TRADE RECEIVABLES

	2024 RMB'000	2023 RMB'000
Trade receivables		
– Mobile top-up service	113,760	132,798
– Telecommunication equipment business	9,895	11,385
– Digital marketing service	162,422	38,522
Less: allowance of credit losses	(1,640)	(319)
	284,437	182,386
Less: amount due for settlement with 12 months shown under current assets	(284,437)	(179,453)
Amount due for settlement after 12 months shown under non-current assets	–	2,933

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 seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by management of the Group. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group did not hold any collateral or other credit enhancements over its trade receivable balances (2023: Nil).

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 (2023: Same).

Trade receivables from digital marketing services mainly represent receivables from digital marketing events, which the Group usually grants credit period for those trade receivables for no more than 60 days (2023: Same).

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:

	2024 RMB'000	2023 <i>RMB'000</i>
0 to 30 days	184,007	119,056
31 to 90 days	78,943	61,712
91 to 180 days	15,698	712
181 to 365 days	5,060	823
Over 365 days	729	83
	<hr/> 284,437 <hr/>	<hr/> 182,386 <hr/>

As at 31 December 2024, certain of the Group's trade receivables of approximately RMB107,405,000 (2023: RMB74,463,000) were pledged to the borrowings and bank overdrafts with amounts of approximately RMB110,000,000 (2023: RMB30,000,000).

12. TRADE PAYABLES

The Group normally grants credit terms of about 90 days (2023: Same). 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 transaction date, at the end of respective reporting periods:

	2024 RMB'000	2023 <i>RMB'000</i>
0 to 90 days	34,016	19,934
91 to 180 days	3,003	805
181 to 365 days	745	208
Over 365 days	4,643	4,226
	<hr/> 42,407 <hr/>	<hr/> 25,173 <hr/>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Looking back at 2024, although the overall macroeconomic recovery was slower than expected, the digital economy had penetrated deeply into all aspects of China's socioeconomic activities. As the trend of digitalisation has become increasingly prominent, digital equity-based products and services have 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. The Group continues to solidify its strengths in its core business, deploy diversified digital equity business to drive revenue growth, grasp business opportunities in the everchanging digital economy, further strengthen its 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 to maintain the continued profitability of the Group.

In 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 services business. Driven by the strong growth of its digital marketing services business revenue in 2024, the Group's revenue for the year ended 31 December 2024 was approximately RMB128.6 million, which increased by approximately 41.3% as compared to revenue of approximately RMB91.0 million for the year ended 31 December 2023. Gross profit increased by approximately 38.3% from approximately RMB73.8 million for the year ended 31 December 2023 to approximately RMB102.1 million for the year ended 31 December 2024. Profit attributable to owners to the Company for the year ended 31 December 2024 was approximately RMB31.9 million, which significantly increased by approximately 94.5% as compared to profit attributable to owners of the Company of approximately RMB16.4 million for the year ended 31 December 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 gross profit for the year ended 31 December 2024 as compared to the year ended 31 December 2023; and (ii) the transaction amount of digital marketing services increased significantly as compared to the year ended 31 December 2023.

TOP UP SERVICES

In 2024, the Group strived to increase the annual gross transactions value of the mobile charges and mobile data usage top-up service, and continued to source stable and preferentially priced mobile top-up resources from suppliers, which increased the revenue of mobile charges and mobile data usage top-up services from approximately RMB84.4 million for the year ended 31 December 2023 to approximately RMB104.5 million for the year ended 31 December 2024.

DIGITAL MARKETING SERVICES

In 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 services business with a higher gross profit margin. The digital marketing services business of the Group achieved revenue of approximately RMB24.1 million in 2024, representing a significant increase as compared to the revenue of approximately RMB6.6 million in the corresponding period in 2023. For the year ended 31 December 2024, the Group's revenue from digital marketing services business accounted for approximately 18.7% of the Group's total revenue.

Shenzhen NNK, an operating entity of the Group, has successively won bids in 2024 for a number of digital marketing and equity-related product projects for large state-owned banks, jointstock 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 2025, the Board expects that the proportion of new businesses will continue to increase in the coming years.

OUTLOOK

The launch of DeepSeek model in January 2025 further substantiates the scale-down of model and reduction of cost of artificial intelligence (AI), which in turn increases the popularity of the application of AI. The Group will continue to make investments 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. The Group 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 more value.

Financial Review

Revenue

For the Reporting Period, the Group recorded a revenue of approximately RMB128.6 million, representing an increase of approximately 41.3% as compared with approximately RMB91.0 million for the year ended 31 December 2023. The increase in revenue was primarily due to the increase of transaction volume of digital marketing services business and top up services business during the Reporting Period.

In 2024, the Group achieved a revenue of approximately RMB24.1 million in the digital marketing services business, representing a significant increase as compared with the revenue of approximately RMB6.6 million for the same 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 2024 and strengthening of cooperation with customers in financial channels and large state-owned banks such as Postal Savings Bank of China Co., Ltd. and China Construction Bank Corporation, which led to a significant increase in digital commodity transactions.

Cost of Revenue

Cost of revenue increased by approximately 42.4% to approximately RMB23.5 million for the year ended 31 December 2024 from approximately RMB16.5 million for the year ended 31 December 2023, primarily due to the increase in the cost of digital marketing related services during the year ended 31 December 2024.

Gross Profit and Gross Profit Margin

Gross profit increased by approximately 38.3% to approximately RMB102.1 million for the year ended 31 December 2024 from approximately RMB73.8 million for the year ended 31 December 2023.

The Group's overall gross profit margin decreased slightly to approximately 79.4% for the year ended 31 December 2024 from approximately 81.1% for the year ended 31 December 2023.

Other Income, net

Other income (net) decreased by approximately 1.4% to approximately RMB7.1 million for the year ended 31 December 2024 from approximately RMB7.2 million for the year ended 31 December 2023. Such decrease was primarily due to the net effect of the increase in government subsidy and 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 65.0% to approximately RMB16.5 million for the year ended 31 December 2024 from approximately RMB10.0 million for the year ended 31 December 2023, mainly due to the restructure of the marketing team by the Group in response to business expansion during the year ended 31 December 2024, which led to an increase in labor costs and business sales expenses as compared to the previous year.

Administration Expenses

Administration expenses increased by approximately 6.4% to approximately RMB38.5 million for the year ended 31 December 2024 from approximately RMB36.2 million for the year ended 31 December 2023, 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 58.2% to approximately RMB12.5 million for the year ended 31 December 2024 from approximately RMB7.9 million for the year ended 31 December 2023, primarily due to the increase in staff costs during the Reporting Period.

Finance Costs

Finance costs increased by approximately 45.5% to approximately RMB3.2 million for the year ended 31 December 2024 from approximately RMB2.2 million for the year ended 31 December 2023, primarily due to the capital needs for various new digital marketing services business projects, which led to an increase in average bank borrowings during the Reporting Period.

Income Tax Expense

The Group's income tax expense increased from approximately RMB8.4 million for the year ended 31 December 2023 to approximately RMB9.0 million for the year ended 31 December 2024, which was mainly due to the increase in total assessable profit for the Reporting Period.

Profit for the Year Attributable to Owners of the Company

As a result of cumulative effects of the foregoing, profit attributable to owners of the Company for the year ended 31 December 2024 was approximately RMB31.9 million, as compared with profit attributable to owners of the Company for the year ended 31 December 2023 of approximately RMB16.4 million, mainly because the Group continued to develop new businesses during the Reporting Period, which led to an increase in revenue and gross profit as compared to the corresponding 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 borrowings), net cash and cash equivalents and equity attributable to owners of the Company (including issued share capital, retained profits and other reserves). The borrowings were all denominated in RMB and were repayable within one year with interest rates ranged from 3.1% to 4.9%. The cash and cash equivalents were mainly denominated in RMB and Hong Kong dollars. Certain financial data are summarized as follows:

	As at 31 December	
	2024	2023
	RMB'000	RMB'000
Cash and cash equivalents	50,841	89,782
Net current assets	313,611	281,581
Net cash (used in)/from operating activities	(123,716)	117,148
Net cash from/(used in) financing activities	47,648	(33,062)

As at 31 December 2024, cash and cash equivalents of the Group was approximately RMB50.8 million, as compared with approximately RMB89.8 million as at 31 December 2023. The Group reported net current assets of approximately RMB313.6 million as at 31 December 2024, as compared with approximately RMB281.6 million as at 31 December 2023. The Group's current ratio was approximately 2.3 as at 31 December 2024, as compared with approximately 3.3 as at 31 December 2023.

For the year ended 31 December 2024, net cash used in operating activities was approximately RMB123.7 million, as compared with net cash from operating activities of approximately RMB117.1 million for the year ended 31 December 2023. For the year ended 31 December 2024, net cash from financing activities was approximately RMB47.6 million, as compared with net cash used in financing activities of approximately RMB33.1 million for the year ended 31 December 2023. The increase in net cash used in operating activities was due to an increase in advance payments to upstream suppliers and increase in trade receivables from customers.

The Group generally finances its operation with internally generated cash flow and credit facilities provided by its principal bankers. 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 2024, the borrowings of the Group was approximately RMB122.0 million, as compared with approximately RMB30.0 million as at 31 December 2023. As at 31 December 2024, the total borrowings, being interest-bearing borrowings which were denominated in RMB, carried interest rate at 3.1%-4.9% per annum (31 December 2023: interest rate at 4.0% per annum) and were repayable within one year. For the years ended 31 December 2023 and 2024, the Group had not used any financial instruments for hedging purposes.

The Group continues to adopt a prudent financial management approach towards its treasury policies and thus maintained a healthy liquidity position throughout the Reporting Period. The Board closely monitors the liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

Trade Receivables

Trade receivables mainly represent receivables from the Group's customers in relation to its mobile top up service, digital marketing services and telecommunication equipment business with amounts of approximately RMB113.8 million, RMB162.4 million and RMB9.9 million, respectively. Trade receivables from mobile top up service decreased from approximately RMB132.8 million for the year ended 31 December 2023 to approximately RMB113.8 million for the year ended 31 December 2024, 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 2024 was 5.96 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 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 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 2024, the gearing ratio (calculated by dividing borrowings by total equity as at the end of the year) of the Group increased to approximately 39.5% from approximately 10.7% as at 31 December 2023 due to the increase in borrowings during the Reporting Period.

Capital Expenditures

The Group's capital expenditures remained stable at approximately RMB1.5 million for the years ended 31 December 2023 and 2024.

Significant Investment

As at 31 December 2024, the Group did not have any significant investment.

Capital Commitments

During the Reporting Period, the Group paid the capital commitment of RMB5.1 million which was related to the establishment of the Shenzhen Yinsheng Huitang Technology Co., Ltd. (深圳市銀盛慧糖科技有限公司) ("**Yinsheng Huitang**").

Foreign Exchange Risk

The Group's reporting currency is in RMB to which the Group's material transactions are denominated. The net proceeds from global offering are denominated in Hong Kong Dollars, which exposes 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 2024, borrowings with amounts of RMB110.0 million were secured by certain trade receivables of the Group (2023: RMB30.0 million).

Contingent Liabilities and Guarantees

As at 31 December 2024 and 2023, 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 joint venture agreement (the “**Agreement**”) with an independent third party, for the establishment of the Yinsheng Huitang. Based on the Agreement, the Group fully paid the share capital of Yinsheng Huitang amounted to RMB5.1 million in 2024.

Save as disclosed above, for the year ended 31 December 2024, 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, 20 June 2025. Notice of the AGM will be published 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, 17 June 2025 to Friday, 20 June 2025, both days 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, 16 June 2025. Shareholders of the Company (the “**Shareholders**”) whose names are recorded in the register of members of the Company on Friday, 20 June 2025 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 2024.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had 156 (31 December 2023: 124) full-time employees. Total staff cost (including Directors’ remuneration) was approximately RMB51.8 million for the year ended 31 December 2024, as compared with approximately RMB36.6 million for the year ended 31 December 2023. 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. Apart from basic remuneration, share options or award may be granted under the share schemes of the Company to eligible participants (including employees or Directors) by reference to the Group’s performance as well as the individual’s contribution. Besides, the Group has been providing training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills.

2024 SHARE OPTION SCHEME AND 2024 SHARE AWARD SCHEME

On 30 October 2024, the Company adopted a new share option scheme (the “**2024 Share Option Scheme**”) in order to conform with the new requirements of Chapter 17 of the Listing Rules, whereas the share option scheme adopted by the Company on 14 December 2015 and amended on 4 November 2016 (the “**2015 Share Option Scheme**”) was terminated on the same date. Since the adoption of the 2015 Share Option Scheme and up to its termination date, no option had been granted, exercised, lapsed nor cancelled under the 2015 Share Option Scheme. In addition, no share option has been granted, exercised, lapsed nor cancelled by the Company under the 2024 Share Option Scheme since its adoption up to 31 December 2024.

On 30 October 2024, the Company adopted a new share award scheme (the “**2024 Share Award Scheme**”). No share award has been granted by the Company under the 2024 Share Award Scheme since its adoption up to 31 December 2024.

The terms and details of the 2024 Share Option Scheme and the 2024 Share Award Scheme are set out in the circular of the Company dated 14 October 2024.

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 2024:

	Net proceeds from the initial public offering as stated in the Prospectus <i>Approximately in HK\$ million</i>	Net proceeds after the exercise of the over-allotment option <i>Approximately in HK\$ million</i>	Balance unutilised as at 1 January 2024 <i>Approximately in HK\$ million</i>	Amount utilised during the year ended 31 December 2024 <i>Approximately in HK\$ million</i>	Balance unutilised as at 31 December 2024 <i>Approximately in HK\$ million</i>
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 the Group's business and operations, such as online services and other internet related businesses, or forming strategic liance with value chain partners	11.8	7.8	7.8	5.4	2.4
General working capital and other general corporate purposes	8.0	5.2	–	–	–
Total	78.7	52.0	7.8	5.4	2.4

As at 31 December 2024, the unutilised amount of the net proceeds was approximately HK\$2.4 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 2025.

EVENTS AFTER THE REPORTING PERIOD

There was no significant event that might affect the Group since 31 December 2024.

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 (including sale of treasury shares).

As at 31 December 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 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 2024.

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 2024. 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 have reviewed the annual results of the Group for the year ended 31 December 2024 and agreed to the accounting principle and practices adopted by the Group.

SCOPE OF WORK OF MOORE CPA

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 2024 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 2025. 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.

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 2024 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 2025

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.