NNK Group Limited
年年卡集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3773)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

The board (the "**Board**") of directors (the "**Directors**") of NNK Group Limited (the "**Company**") hereby announce the unaudited consolidated interim results of the Company and its subsidiaries (collectively, the "**Group**") for the six months ended 30 June 2017, together with the comparative figures for the corresponding period in 2016. The unaudited consolidated interim results have been reviewed by the Company's audit committee (the "**Audit Committee**") and the Company's auditors, Deloitte Touche Tohmatsu.

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 JUNE 2017

		Six months ended 30 June	
	NOTES	**2017**	2016
		(Unaudited)	*(Unaudited)*
		RMB'000	*RMB'000*
Revenue	4	**50,781**	86,106
Less: Tax surcharge		**(985)**	(1,323)
Cost of revenue		**(24,401)**	(39,044)
Gross profit		**25,395**	45,739
Other income and expenses		**1,806**	2,941
Distribution and selling expenses		**(2,794)**	(3,456)
Administrative expenses		**(11,293)**	(12,860)
Research and development expenses		**(5,824)**	(6,689)
Finance costs	5	**(4,050)**	(5,927)
Profit before tax	6	**3,240**	19,748
Income tax expense	7	**(258)**	(444)
Profit and total comprehensive income for the period		**2,982**	19,304
Total comprehensive income attributable to owners of the Company		**2,982**	19,304
Earnings per share	9		
– Basic (RMB)		**0.01**	0.05
– Diluted (RMB)		**0.01**	0.05

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	NOTES	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Non-current assets			
Property, plant and equipment	10	**5,102**	7,309
Rental deposits		**471**	498
Deferred tax assets	11	**5,568**	5,568
		11,141	13,375
Current assets			
Inventories		**129,335**	157,172
Trade receivables	12	**63,717**	69,875
Prepayments, deposits and other receivables		**55,167**	47,498
Tax recoverable		**2,190**	819
Cash and cash equivalents		**175,021**	124,719
		425,430	400,083
Current liabilities			
Trade payables	13	**41,159**	36,911
Other payables		**35,428**	53,123
Bank borrowings	14	**124,000**	80,000
		200,587	170,034
Net current assets		**224,843**	230,049
Total assets less current liabilities		**235,984**	243,424

	NOTES	As at 30 June 2017 (Unaudited) RMB'000	As at 31 December 2016 (Audited) RMB'000
Non-current liabilities			
Government grants		**433**	895
Deferred tax liabilities	11	**9,280**	9,280
		9,713	10,175
Net assets		**226,271**	233,249
Capital and reserves			
Share capital	15	**27,221**	27,221
Reserves		**199,050**	206,028
Total equity		**226,271**	233,249

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated as an exempted company with limited liability in the Cayman Islands on 18 June 2014 and its shares have been listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 7 January 2016. Its ultimate controlling shareholders are Huang Junmou, Yang Hua, Li Xiangcheng, Xu Xinhua and Huang Shaowu (collectively referred to as the "Ultimate Controlling Shareholders"). 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 6/F, 3 Building A Arta, Internet Industry Base, Xixiang, Baoyuan Road, Bao'an District, Shenzhen, the Peoples Republic of China (the "PRC"). The Company is an investment holding company. The principal activity of the Group is engaged in providing mobile top-up service to mobile subscribers in the PRC.

The condensed 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 CONDENSED PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on the Stock Exchange.

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

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments, which are measured at fair values.

Except as described below, the accounting policies and the methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA that are relevant for the preparation of the Group's condensed consolidated financial statements:

Amendments to HKAS 7	Disclosure Initiative
Amendments to HKAS 12	Recognition of Deferred Tax Assets for Unrealised Losses
Amendments to HKFRS 12	Included in Annual Improvements 2014 - 2016 Cycle Disclosure of Interests in Other Entities

The application of the above amendments to HKFRS in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 9	Financial Instruments[1]
HKFRS 15	Revenue from Contracts with Customers and the related Amendments[1]
HKFRS 16	Leases[2]
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions[1]
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRSs	Annual Improvements to HKFRSs 2014-2016 Cycle[1]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after a date to be determined

4. REVENUE AND 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, the chief operating decision maker (the "CODM"), in order to allocate resources to the segments and to assess their performance.

The CODMs review the Group's profit as a whole, which is generated from the provision of mobile top-up service by the Group to customers and determined in accordance with the Group's accounting policies, for performance assessment. Therefore, no separate segment information is prepared by the Group.

Geographical information

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

Information about major customers

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

5. FINANCE COSTS

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Interest on bank borrowings	**4,050**	5,927

6. PROFIT BEFORE TAX

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Profit before tax has been arrived at after charging (crediting):		
Directors' emoluments	**1,434**	1,462
Salaries and other benefits, excluding those of directors	**8,189**	9,623
Retirement benefits schemes contributions, excluding those of directors	**1,310**	1,393
Total staff costs	**10,933**	12,478
Depreciation of property, plant and equipment	**2,197**	3,732
Operating lease rentals	**918**	862
Interest income	**(2,812)**	(1,477)

7. INCOME TAX EXPENSE

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Current tax:		
– PRC Enterprise Income Tax ("EIT")	**349**	383
– (Over) under-provision in prior years	**(91)**	61
Taxation	**258**	444

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

Hong Kong

The applicable tax rate of the subsidiaries of the Company in Hong Kong is 16.5%. No provision for Hong Kong Profits Tax was made in the condensed consolidated financial statements, as no assessable profit was generated in Hong Kong.

PRC

Pursuant to the Enterprise Income Tax Law and Implementation Regulations of the Law of the PRC (the "PRC EIT Law") which became effective on 1 January 2008, the statutory tax rate of PRC subsidiaries is 25% during the two periods.

In September 2014, Shenzhen NNK, a PRC subsidiary of the Company, was qualified as a High and New Technology Enterprise by Shenzhen Technological Innovation Committee, Shenzhen Finance Bureau, Administrator of Local Taxation of Shenzhen Municipality and Shenzhen Municipal office of the State Administration of Taxation, and therefore was entitled to 15% preferential tax rate for three years starting from the year ended 31 December 2015, in accordance with the PRC EIT Law. Accordingly, the tax rate of Shenzhen NNK is 15% for both periods.

In January 2016, Daily Charge Technology (Shenzhen) Limited ("Daily Charge SZ"), a wholly foreign-owned enterprise of the Company, was accredited as a software enterprise by the Shenzhen Software Industry Association, and therefore could enjoy an income tax exemption for two years starting from its first profit-making year and a 50% tax reduction to an income tax rate of 12.5% for the subsequent three years.

Accordingly, Daily Charge SZ is tax exempted in 2016. The statutory tax rate of Daily Charge SZ was 25% in 2015.

8. DIVIDENDS

A dividend of RMB0.024 per share was declared and approved in respect of the year ended 31 December 2016 (2016: no final dividend was declared or paid for the year ended 31 December 2015) to shareholders during the current period.

9. EARNINGS PER SHARE

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

	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
	RMB'000	*RMB'000*
Earnings for the purpose of basic and diluted earnings per share:		
– profit for the period attributable to the owners of the Company	**2,982**	19,304

	Number of shares	
	Six months ended 30 June	
	2017	2016
	(Unaudited)	*(Unaudited)*
	'000	*'000*
Weighted average number of ordinary shares for the purpose of basic earnings per share	**415,000**	409,643
Effect of dilutive potential ordinary shares		
Over-allotment option from global offering	**—**	520
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**415,000**	410,163

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the six-month period ended 30 June 2017, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB92,000 (unaudited) (six-month period ended 30 June 2016: RMB501,000 (unaudited)) for proceeds of RMB39,000 (unaudited) (six-month period ended 30 June 2016: RMB501,000 (unaudited)), resulting in loss on disposal of RMB53,000 (unaudited) (six-month period ended 30 June 2016: Nil (unaudited)). In addition, the Group paid RMB82,000 (unaudited) (six-month period ended 30 June 2016: RMB576,000 (unaudited)) for the acquisition of property, plant and equipment to expand its operations.

11. DEFERRED TAXATION

The following is the analysis of deferred tax balances for financial reporting purposes:

	As at 30 June 2017 *(Unaudited)* *RMB'000*	As at 31 December 2016 *(Audited)* *RMB'000*
Deferred tax assets	**(5,568)**	(5,568)
Deferred tax liabilities	**9,280**	9,280
	3,712	3,712

The followings are the major deferred tax liabilities (assets) recognised and movements thereon during the current and preceding periods:

	Deductible management fee expenses of Shenzhen NNK *RMB'000*	Taxable management fee income of Daily Charge SZ *RMB'000*	Total *RMB'000*
At 31 December 2016 and 30 June 2017 (unaudited)	(5,568)	9,280	3,712

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. As at the end of the current interim period, the aggregate amount of taxable temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised amounted to RMB171,504,000 (unaudited) (31 December 2016: RMB166,315,000). No deferred tax liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary difference and it is probable that such differences will not be reversed in the foreseeable future.

12. TRADE RECEIVABLES

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

	As at 30 June 2017 ***(Unaudited)*** ***RMB'000***	As at 31 December 2016 *(Audited)* *RMB'000*
0 - 30 days	**59,014**	69,213
31 - 60 days	**4,680**	430
Over 60 days	**23**	232
	63,717	69,875

Trade receivables mainly represent receivable from financial institution in relation to the mobile top-up service which the settlement period is normally within 1 day from transaction date. For the corporate customers, the credit period was about 30-60 days granted by the Group. The Group did not hold any collateral over these balances.

Included in the Group's trade receivable balance are debtors with aggregate carrying amount of RMB23,000 (31 December 2016: RMB232,000) which are past due as at the reporting date for which the Group has not provided for impairment loss. The directors consider all trade receivables at the end of the reporting date are likely to be collectable under internal assessment by the Group.

As at 30 June 2017, the age of trade receivables which are past due but not impaired is over 60 days.

13. TRADE PAYABLES

The following is an ageing analysis of trade payables presented based on the invoice date:

	As at 30 June 2017 ***(Unaudited)*** ***RMB'000***	As at 31 December 2016 *(Audited)* *RMB'000*
0 to 90 days	**7,201**	10,513
91 to 180 days	**4,880**	3,748
181 to 360 days	**29,078**	22,650
	41,159	36,911

14. BANK BORROWINGS

During the current interim period, the Group obtained new bank borrowings amounting to RMB359,310,000 (unaudited) (31 December 2016: RMB816,646,000) and repaid bank borrowings amounting to RMB315,310,000 (unaudited) (31 December 2016: RMB1,081,461,000). The bank borrowings carry interest at variable market rates of 4.35% to 5.66% (31 December 2016: 4.35% to 4.79%) per annum and are repayable in one year.

15. SHARE CAPITAL

The share capital at 30 June 2017 and 31 December 2016 represented the share capital of the Company.

Pursuant to written resolutions of the Company's shareholders passed on 14 December 2015, conditional upon the crediting of the share premium account of the Company as a result of the issue of shares pursuant to the global offering set out in the section headed "Share Capital" in the Prospectus, the directors of the Company had authorised to allot and issue a total of 295,000,000 shares, by way of capitalisation of the sum of approximately US$2,950,000 (equivalent to approximately RMB19,365,000) standing to the credit of the share premium account of the Company, credited as fully paid at par to the shareholders as appearing on the register of members of the Company ("Capitalisation Issue"). The Capitalisation Issue was completed on 7 January 2016.

On 7 January 2016, 100,000,000 ordinary shares of US$0.01 each of the Company were issued at a price of HK$1 by global offering. On the same date, the Company's shares were listed on the Main Board of the Stock Exchange. The proceeds of RMB6,565,000 (equivalent to approximately US$1,000,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of RMB77,462,000 (equivalent to approximately US$11,800,000), before issuing expenses, were credited to share premium account.

On 26 January 2016, 15,000,000 ordinary shares of US$0.01 each of the Company were issued at a price of HK$1 by pursuant to the exercise of over-allotment option. The proceeds of RMB983,000 (equivalent to approximately US$150,000) representing the par value of the shares of the Company, were credited to the Company's share capital. The remaining proceeds of approximately RMB12,451,000 (equivalent to approximately US$1,900,000), before issuing expenses, were credited to share premium account.

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

	Number of authorised shares	**Number of issued shares**	**Issued and fully paid share capital**	
			US$	*RMB'000*
As at 1 January 2016	2,000,000,000	5,000,000	50,000	308
Issue of new shares by Capitalisation Issue	—	295,000,000	2,950,000	19,365
Issue of new shares by ways of global offering	—	100,000,000	1,000,000	6,565
Issue of new shares by exercise of over-allotment option	—	15,000,000	150,000	983
As at 30 June 2016, 31 December 2016 and 30 June 2017 (unaudited)	**2,000,000,000**	**415,000,000**	**4,150,000**	**27,221**

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

The mobile top-up service industry remained competitive in the first half of 2017. The Group experienced both declines in mobile top-up requests through its channel partners and average discount rate received from the PRC telecommunication operators and their distributors. Total revenue of the Group decreased by approximately 41.0% to approximately RMB50.8 million for the six months ended 30 June 2017 from approximately RMB86.1 million for the six months ended 30 June 2016, mainly due to declines in the number of mobile top-up requests processed by 007ka top-up platform and the average discount rate received from the PRC telecommunication operators and their distributors. The number of mobile top-up requests processed by 007ka top-up platform was approximately 71.4 million for the six months ended 30 June 2017, representing a decrease of approximately 15.9% as compared with approximately 85.0 million for the six months ended 30 June 2016. The gross transaction value with mobile users decreased by approximately 29.5% to approximately RMB5,888.5 million for the six months ended 30 June 2017 from approximately RMB8,346.1 million for the six months ended 30 June 2016.

Despite the intensified competition, the Group endeavour to expand its user base and service offering. The Group continued to expend the network of banks and offline channel partners. As at 30 June 2017, the Group had cooperative relationships with 63 PRC banks, including five largest state-owned commercial banks and 10 of 12 nation-wide joint stock commercial banks, as compared with 50 PRC banks as at 30 June 2016. The Group collaborated with approximately 49,900 offline channel partners as at 30 June 2017, as compared with approximately 49,000 offline channel partners as at 30 June 2016. In addition, the Group will continue to expand its data usage top-up service offering on the back of growing demand of data usage top-up service in the PRC. In the first half of 2017, the gross transaction value of data usage top-up services through the Group's channel partners increased by approximately 41.2% to approximately RMB9.5 million for the six months ended 30 June 2017 from approximately RMB6.7 million for the corresponding period in 2016.

The management made great effort to optimise the Group's operation structure through various cost-cutting measures. Costs incurred on administrative expenses and the cost incurred on finance costs decreased by approximately 12.2% and 31.7%, respectively, for the six months ended 30 June 2017 when compared with the corresponding period in 2016. However, due to the decline of Group's total revenue, profit and total comprehensive income of the Group decreased by approximately 84.6% to approximately RMB3.0 million for the six months ended 30 June 2017 from approximately RMB19.3 million for the six months ended 30 June 2016.

OUTLOOK

The emerging of e-commerce platforms providing mobile top-up service is impacting the Group's mobile top-up service on electronic banking systems and offline channels. The management of the Group believes that it brings both challenges and opportunities to the Company's business. Facing with the challenges, the Group will base on its extensive experiences and competitive advantages in the mobile top-up service industry to enhance cooperation with PRC banks and expand the Company's service offerings in existing channels, in order to maintain the leading position in the industry. Moreover, the Group will actively seek for opportunities to cooperate with the leading internet companies and e-commerce companies and strive for the market share in those e-commerce channels. The Group will also continue to strengthen its research and development capabilities, reinforce the core competitiveness and optimise the Group's cost structure to provide greater returns to shareholders of the Company (the "**Shareholders**").

FINANCIAL REVIEW

Revenue

For the six months ended 30 June 2017, the Group recorded a revenue of approximately RMB50.8 million, representing a decrease of approximately 41.0% as compared with approximately RMB86.1 million for the corresponding period in 2016. The decrease was primarily due to the decrease in mobile top-up requests through the Group's channel partners, and the decline of average discount rate received from the PRC telecommunication operators and their distributors.

Gross Transaction Value with Mobile Users

The gross transaction value with mobile users decreased by approximately 29.5% to approximately RMB5,888.5 million for the six months ended 30 June 2017 from approximately RMB8,346.1 million for the six months ended 30 June 2016. The decrease was mainly due to the decline in mobile top-up requests through the Group's channel partners. As at 30 June 2017, the gross transaction value via electronic banking systems decreased by approximately 34.7% to approximately RMB3,282.1 million for the six months ended 30 June 2017 from approximately RMB5,029.3 million for the six months ended 30 June 2016. The gross transaction value through offline channels down by approximately 64.5% to approximately RMB354.5 million for the six months ended 30 June 2017 from approximately RMB999.6 million for the six months ended 30 June 2016. The gross transaction value through other channels including third-party online platforms, the Company's own websites and Wechat public account decreased by approximately 2.8% to approximately RMB2,251.9 million for the six months ended 30 June 2017 from approximately RMB2,317.2 million for the six months ended 30 June 2016.

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

The average discount rate that the Company received from the PRC telecommunication operators, their distributors and other channels decreased from approximately 1.1% for the six months ended 30 June 2016 to approximately 0.8% for the six months ended 30 June 2017. The gross transaction value with the PRC telecommunication operators, their distributors and other channels decreased by approximately 29.3% for the six months ended 30 June 2017 as compared to the six months ended 30 June 2016, which was in line with the decrease in the gross transaction value with mobile users.

Cost of Revenue

Cost of revenue decreased by approximately 37.5% to approximately RMB24.4 million for the six months ended 30 June 2017 from approximately RMB39.0 million for the six months ended 30 June 2016, primarily due to the decrease of gross transaction value with mobile users and the decline of commission fees charged by the Group's channel partners.

Gross Profit and Gross Profit Margin

Gross profit decreased by approximately 44.5% to approximately RMB25.4 million for the six months ended 30 June 2017 from approximately RMB45.7 million for the six months ended 30 June 2016.

The Group's overall gross profit margin decreased to approximately 50.0% for the six months ended 30 June 2017 from approximately 53.1% for the six months ended 30 June 2016, primarily attributable to the decline in average discount rate.

Other Income and Expenses

Other income and expenses decreased by approximately 38.6% to approximately RMB1.8 million for the six months ended 30 June 2017 from approximately RMB2.9 million for the six months ended 30 June 2016. The decrease in other income and expenses was primarily due to approximately RMB1.4 million unrealised net exchange losses from bank balances denominated in Hong Kong dollars as a result of the appreciation of Renminbi against Hong Kong dollars for the six months ended 30 June 2017.

Distribution and Selling Expenses

Distribution and selling expenses decreased by approximately 19.2% to approximately RMB2.8 million for the six months ended 30 June 2017 from approximately RMB3.5 million for the six months ended 30 June 2016, primarily attributable to effective control of salaries and allowances of customer services employees.

Administration Expenses

Administration expenses decreased by approximately 12.2% to approximately RMB11.3 million for the six months ended 30 June 2017 from approximately RMB12.9 million for the six months ended 30 June 2016, primarily attributable to the cost saving measures to reduce the general administrative expenses.

Research and Development Expenses

Research and development expenses decreased by approximately 12.9% to approximately RMB5.8 million for the six months ended 30 June 2017 from approximately RMB6.7 million for the six months ended 30 June 2016, primarily due to the decrease in depreciation of servers.

Finance Costs

Finance costs decreased by approximately 31.7% to approximately RMB4.1 million for the six months ended 30 June 2017 from approximately RMB5.9 million for the six months ended 30 June 2016, primarily due to the decrease in average bank borrowings as compared with the corresponding period in 2016.

Income Tax Expense

Income tax expense decreased by approximately 41.9% to approximately RMB0.3 million for the six months ended 30 June 2017 from approximately RMB0.4 million for the six months ended 30 June 2016, primarily due to the decrease in taxable income.

Profit for the Period attributable to Owners of the Company

Profit for the period attributable to owners of the Company decreased by approximately 84.6% to approximately RMB3.0 million for the six months ended 30 June 2017 from approximately RMB19.3 million for the six months ended 30 June 2016. The decrease of profit and comprehensive income were primarily attributable to the decrease of mobile top-up transaction value from Group's channel partners.

Liquidity, Financial Resources and Capital Structure

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

As at 30 June 2017, cash and cash equivalents of the Group was approximately RMB175.0 million, as compared with approximately RMB124.7 million as at 31 December 2016. The Group reported net current assets of approximately RMB224.8 million as at 30 June 2017, as compared with approximately RMB230.1 million as at 31 December 2016. The Group's current ratio was approximately 2.12 as at 30 June 2017, as compared with approximately 2.35 as at 31 December 2016.

The bank borrowings of the Group increased by 55% to RMB124.0 million as at 30 June 2017 from RMB80.0 million as at 31 December 2016. As at 30 June 2017, the total bank borrowings being interest-bearing bank borrowings which are dominated in Renminbi, carried interest rates ranging from 4.35% to 5.66% (31 December 2016: 4.35% to 4.79%) per annum and are repayable in one year.

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

Gearing Ratio

As at 30 June 2017, the gearing ratio (calculated by dividing bank borrowings by total equity as at the end of the period) of the Group increased to approximately 0.55 from approximately 0.34 as at 31 December 2016, primarily attributable to the increase in bank borrowings and decrease in total equity of the Group due to the declaration of final dividend for the year ended 31 December 2016 during the six months ended 30 June 2017.

Capital Expenditures

For the six months ended 30 June 2017, the Group had capital expenditure of approximately RMB0.1 million, as compared with approximately RMB0.6 million for the six months ended 30 June 2016. The expenditure was mainly related to the acquisition of property, plant and equipment for replacement in daily operations.

Significant Investment

As at 30 June 2017, the Group did not have any significant investment.

Capital Commitments and Operating Lease Commitments

As at 30 June 2017, the Group did not have any material capital commitments. As at 30 June 2017, the Group's operating lease commitments amounted to approximately RMB0.3 million, as compared with approximately RMB0.6 million as at 31 December 2016.

Foreign Exchange Risk

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

Charges on Assets

As at 30 June 2017, the Group did not have any asset charges.

Contingent Liabilities and Guarantees

As at 30 June 2017, the Group did not have any significant contingent liabilities and guarantees.

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

There was no specific plan for material investments or capital assets as at 30 June 2017.

MATERIAL ACQUISITIONS OR DISPOSALS

During the six months ended 30 June 2017, there was no material acquisition or disposal of subsidiaries and associated companies by the Group.

INTERIM DIVIDENDS

The Board did not recommend the payment of interim dividend for the six months ended 30 June 2017 (for the six months ended 30 June 2016: nil).

EMPLOYMENT AND REMUNERATION POLICY

As at 30 June 2017, the Group had 146 full-time employees. Total staff cost (including Director's remuneration) was approximately RMB10.9 million for the six months ended 30 June 2017, as compared with approximately RMB12.5 million for the six months ended 30 June 2016. All employees have joined the state-managed retirement benefits schemes which are classified as defined contribution plans. The Group believes that employees are one of its most important assets and the Group strives to offer a competitive remuneration to its employees. The Group has recruited and promoted individuals based on merit and their development potentials. Remuneration package offered to all employees including Directors is determined with reference to their performance, qualifications, experience and the prevailing salary levels in the market. The Group has provided training opportunities for its employees in order to enhance their qualifications and equip them with necessary skills.

EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in this announcement, there was no other significant events that might affect the Group since the end of the six months ended 30 June 2017.

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

During the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its code of conduct regarding Director's securities transactions. Specific enquires have been made to all Directors and the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code during the six months ended 30 June 2017.

CORPORATE GOVERNANCE CODE

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 value accountability.

The Company has complied with all the applicable code provisions of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Listing Rules during the six months ended 30 June 2017. The Company will continue to review the current corporate governance structure from time to time and shall make necessary changes when appropriate and report to Shareholders accordingly.

AUDIT COMMITTEE

The Company established the Audit Committee with written terms of reference in compliance with Rule 3.21 of the Listing Rules and paragraph C.3 of the CG Code. The primary duties of the Audit Committee are, among other things, to review and supervise the financial reporting process, risk management and internal control system of the Group, oversee the audit process and select external auditors and assess their independence and qualifications. The Audit Committee comprises three independent non-executive Directors, namely Ms. Zhao Jinlin, Mr. Qian Haomin and Mr. Lin Zhangxi. Ms. Zhao Jinlin is the chairlady of the Audit Committee and she is the independent non-executive Director with the appropriate professional qualifications.

The Audit Committee, together with the external auditors of the Company, Deloitte Touche Tohmatsu, have reviewed the unaudited consolidated interim results of the Company for the six months ended 30 June 2017 and agreed to the accounting principles and practices adopted by the Company.

USE OF PROCEEDS FROM GLOBAL OFFERING

The Company's shares were listed on the Main Board of the Stock Exchange on 7 January 2016 and the Company raised net proceeds (after the exercise of the over-allotment option and after deducting the underwriting fees, commissions and other expenses payable by the Company in connection with the global offering) of approximately HK$52.0 million. As at 30 June 2017, the Group had utilised approximately HK$5.8 million of the net proceeds from the global offering, out of which approximately HK$0.6 million was utilised for software and research and development activities and approximately HK$5.2 million was utilised for general working capital. Such utilisation of the net proceeds was in accordance with the proposed allocations as set out in the section headed "Future Plans and Use of Proceeds" in the Company's prospectus dated 24 December 2015. The unutilised portion of the net proceeds is deposited in reputable banks in Hong Kong.

PUBLICATION OF RESULTS ANNOUNCEMENT AND INTERIM REPORT

This interim results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.nnk.com.hk). The 2017 interim report of the Company will be despatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

By order of the Board
NNK Group Limited
Huang Junmou
Chairman

Hong Kong, 24 August 2017

As at the date of this announcement, the executive Directors of the Company are Mr. Huang Junmou and Mr. Yang Hua; the non-executive Directors of the Company are Mr. Li Xiangcheng, Mr. Xu Xinhua and Mr. Yu Zida; the independent non-executive Directors of the Company are Mr. Lin Zhangxi, Mr. Qian Haomin and Ms. Zhao Jinlin.

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